

CONGRESSIONAL DIGEST

PRO & CON

December, 1934

America's Crop Control Experiment

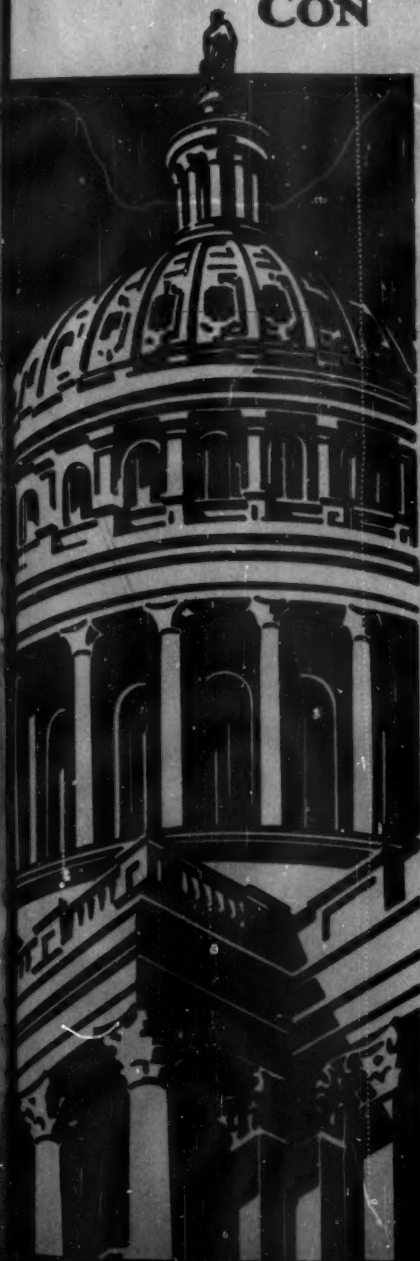
Farm Relief Legislation Since 1921
Conditions Precipitating Experiment
Monies Paid Out by the "A. A. A." to Date
The Farm Outlook for 1935 Analyzed
Is the Experiment Proving a Success?
Discussed Pro and Con by Government
Officials, Economists and Farm Owners

Regular Departments



WASHINGTON, D.C.

FIFTY CENTS A COPY



THE CONGRESSIONAL DIGEST

The Pro and Con Monthly

Not an Official Organ, Not Controlled by Nor Under the Influence of Any Party, Interest, Class or Sect

H. T. N. ROBINSON
Editor and Publisher

ALICE GRAM ROBINSON
Founder

Volume 13, No. 12

2131 LeRoy Place, Washington, D. C.

December, 1934

— CONTENTS —

This Month's Feature: America's Crop Control Experiment

FACT MATERIAL

	Page
Analysis of the Problem with Study Outline	289
What Congress Has Done About Farm Relief Since 1921	291
Conditions Precipitating America's Crop Control Experiment	294
The "A.A.A." and Its Work	296
Monies Paid Out by the A.A.A. to Date	296
Glossary of Terms Used in A.A.A. Discussions	297
An Analysis of the Farm Outlook for 1935	298

PRO AND CON ARGUMENTS

Is the Crop Control Experiment Proving a Success?

AFFIRMATIVE

Hon. Henry A. Wallace	300
U. S. Representative Marvin Jones	304
Chester C. Davis	306
Mordcaai Ezekiel	312

NEGATIVE

Glenn Frank	301
Neil Carothers	305
Gustav Cassel	311
Mrs. George B. Simmons	315

Entered as Second-Class Matter September 26th, 1921, at the Post Office at Washington, D. C., under the Act of March 3, 1879. Additional entry as Second-Class Matter at the Post Office at Baltimore, Maryland, under the Act of March 3, 1879; authorized August 22, 1927. Published every Month, except for July and August. Yearly Index to Each Volume, January to December, Furnished on Request. Current Subscription Rates: \$5.00 a year, Postpaid in U. S.; in Canada \$5.25; Foreign Rates \$5.50; Current Numbers 50c a copy; Back Numbers 75c up.

Copyright 1934, by Alice Gram Robinson, Washington, D. C. Indexed in The Reader's Guide and Other Indexing Publications.

*PLURAL SUBSCRIPTIONS

Mailed to one address	Mailed to separate addresses
Up to 10 \$3.00 ea.	Up to 10 \$4.00 ea.
Up to 50 2.50 ea.	Up to 50 3.50 ea.
50 and up 2.00 ea.	50 and up 3.00 ea.

BULK ORDER RATES

Mailed to one address.	
1 Copy	at 50c
10 Copies	at 40c
25 Copies	at 35c
100 Copies	at 25c
1000 Copies	at 20c
† Plus Delivery Charges	

*These Rates Do Not Allow For Agents' Fees. Notary Fees Paid only on charges over \$5.00.

Address all Orders and Correspondence to: THE CONGRESSIONAL DIGEST, 2131 LeRoy Place, Washington, D. C.

America's Crop Control Experiment

Analysis of the Problem with Study Outline

ONE of the major features of the "New Deal" program, as announced by President Roosevelt, shortly after his inauguration on March 4, 1933, was the enactment of legislation in aid of agriculture.

Long before the advent of the economic crisis in the industrial and labor ranks in 1929, the farmers had been complaining of their lot and demanding legislation that would better their condition.

From 1909 through 1914 general farm conditions had been good throughout the country. That is to say, the farmer was getting a price for his products which enabled him to maintain a good standard of living and buy what he needed.

In 1914 the World War broke out and this increased the demand for food supplies from the American farmer, since the agricultural production of the Allied Nations, most of whose man power was engaged in military activities, naturally fell off.

Three years later, in 1917, America entered the war and this brought increasing demands for American farm products.

An important part of America's war policy was to insure plenty of food, not only for American soldiers, but also for Allied soldiers. To this end the Government appealed to American farmers to produce to the utmost of their capacity, opening up additional lands to cultivation wherever possible.

As a result of this farmers all over the country not only planted all their regular crop lands but plowed up pasture lands and sowed them with crops.

This brought on a tremendous agricultural boom. Practically every farmer in America made money, not only during the war, but for a short period afterward, since the foreign countries involved in the war were unable immediately to get their agricultural production back to normal.

With the profits they had made from the war-time boom in agriculture, many farmers bought more land and increased their output. Mistaking an abnormal condi-

tion for a natural growth, they assumed that the agricultural boom had come to stay.

Agricultural production was geared, not only to meet the requirements of American consumption, but a generous foreign consumption, as well, and the maintenance of American production at this level depended upon the sale abroad of all farm products over and above those absorbed by the American people.

This condition lasted until about 1919, when the war boom began to be deflated.

In America the Government stopped its outpouring of money. Troops were demobilized with great promptness. Government purchasing of food supplies was curtailed. In fact, the Government had surplus supplies on hand, most of which were subsequently diverted to foreign relief.

Thus the farmers' market at home was drastically reduced.

Added to this domestic situation was the determination of European nations to become as self-sustaining as possible. The fact that most of them had been forced to look outside their own borders for food supplies during the war had produced a powerful impression in all the countries which had participated in the war or which, as neutrals, had faced food shortages because of the interruption of the normal flow of international trade which, before the war, had enabled them to augment their home grown food supplies with imports from food producing countries whenever necessary or desirable.

As a result of this feeling, practically every European nation began studying methods by which to encourage domestic agricultural production. These methods involved not only various bonuses and other direct Governmental aids, but also high tariffs against imports.

All this action by foreign Governments naturally reduced the volume of American agricultural products sold abroad and, if continued, was calculated to shut off American sales in the future.

On top of the curtailment at home, because of the cessation of Government purchases incident to the war and the development of greater crop production abroad, came two important factors in the domestic situation that added to the difficulties of the American farmer.

The first was the rapid increase in the use of the automobile truck for hauling and the tractor for plowing. The change from horse power to motor power naturally

reduced the number of horses and mules used by the farmer and this reduction in the unemployment of farm animals reduced the need for hay and grain for feeding purposes.

The second was the undoubted reduction in the amount of food eaten by the average American. Farmers who produced meat and farmers who produced grain both felt this change in diet.

The general farm depression that followed resulted in the inability of farmers in many sections to pay their debts and the resultant failure of banks in agricultural sections.

From the Senators and Representatives of farm districts came immediate appeals to Congress for legislation for the relief of the farmer.

In the Chronology, beginning on page 291, will be found the history of the various efforts made to correct the farm situation by legislative action down to the enactment in 1933 of the Agricultural Adjustment Act, which created the Agricultural Adjustment Administration, or "A.A.A."

The theory back of the Agricultural Adjustment Act and the policy it established is that the general economic welfare of the country as a whole, as well as that of the farmer, depends upon a balance of buying and selling between those engaged in farming and those engaged in industry, by which balance the farmer will receive enough for the sale of his crops to buy freely from those who are engaged in industry and other pursuits, while the latter will receive enough from their efforts to enable them to buy freely of farm products.

Those responsible for this theory and for putting it into legislative form and having it passed through Congress maintain that the period from 1909 to 1914 was the ideal period of balance, or parity, in America between the farming element of the country and the industrial element.

It is to bring the country's economic balance back to what it was in that period that was and is their main object.

The basic principle of the Agricultural Adjustment Act is that, until such a time as industry and agriculture are adjusted to the balance existing during the 1909-1914 period, the Federal Government should work out a national plan to cut down on the product of the farms to the point where the accumulation of a surplus is avoided. With no surplus, farm products should bring better prices and the farmer will then be able to realize a genuine and fair profit on whatever he produces.

In order to induce the farmer to cut down on his crop production, the Government must grant him a certain cash allowance, or benefit, on the amount of crops he loses by refraining from planting above a given amount of land.

To raise the money to pay the farmer for crop reduction, the Government places a special tax upon the processors of farm products—processors being millers, who make grain into flour; packers who butcher and cure meat for marketing; manufacturers of cotton goods and all others who turn raw farm products into products for the market. That is to say, the manufacturer of food products and not the farmer, is called upon to pay the costs of putting the plan into effect, the farmer being guaranteed against loss.

The manufacturer must either work on a smaller margin of profit or raise the selling price of his manufactured products in order to pass the added cost along to the consumer.

It is the theory of the plan that, simultaneously, wages will be raised in industry to increase the purchasing power of the consumer to the point where he can pay the increased cost of farm products.

Involved in the theory back of the proceeding is that the Government can and should, by planned economy, bring about and maintain an even balance between supply and demand and guard against heavy fluctuations that bring boom times on the one hand or depressed times on the other.

Once the initial phases are gone through with, advocates of this system declare, farmers and industrialists, with occasional supervision by the Government, can thereafter act to maintain the balance themselves. When the balance is finally effected, they hold, Government financial aid will be unnecessary and the present heavy payments to farmers will be withdrawn.

Opponents of the theory back of the Agricultural Adjustment Plan take the position that, without sustained Government financial aid, the plan can never succeed. Nor can it be kept in operation for any great length of time without the exercise of Government compulsion, since it is in direct violation of the age-old law of supply and demand.

If the Government is to exercise planned economy, they argue, the Government must become sole owner and dictator of all of the country's products, together with the machinery for production and distribution. Otherwise, the plan cannot be made to work permanently.

All the phases of the controversy are covered in the Pro and Con section, beginning on page 300.

Study Outline for Classroom Use*

In the House a bill to make the Agricultural Adjustment Administration permanent or a bill to repeal the Agricultural Adjustment Act would be referred to the Committee on Agriculture. In the Senate the bill would be referred to the Committee on Agriculture and Forestry.

At present the provisions of the Act are operative at the will of the President and may be abandoned by him when he deems that "the present economic emergency in relation to agriculture" is ended.

Proponents of the A.A.A. as a permanent plan may introduce the following bill:

Be it enacted by the Congress of the United States:

Section 1. The Agricultural Adjustment Act of 1933, enacted as an emergency measure, is hereby declared to embody the policy of the Congress with respect to agriculture;

Section 2. The provisions of the Agricultural Adjustment Act are hereby extended for the fiscal year beginning July 1, 1935.

Opponents of the measure may introduce the following substitute bill:

Be it enacted by the Congress of the United States:

Section 1. The Agricultural Adjustment Act of 1933 is hereby repealed.

*Handbook for "Teaching American Government and Politics by the Laboratory Method" published by THE CONGRESSIONAL DIGEST (furnished free to instructors using the DIGEST).

What Congress Has Done About Farm Relief Since 1921

FROM 1921 down to the passage of the Agricultural Adjustment Act in 1933, Congress had constantly before it legislation designed to improve the economic condition of the American farmers. The demand for this legislation was one of the first reactions to changed conditions following the end of the World War. It is generally agreed that these conditions were caused, primarily by the immediate falling off, as soon as the war ended, of foreign purchases of American farm products.

During the war the demands of all the allied armies had been so great that the American Government had urged every American farmer to produce to the limit of his capacity.

Farm prices soared. Farmers plowed up grazing land and planted every acre capable of cultivation. Many used the money received from their crops to purchase more land.

The end of the war brought a heavy loss in the demand for these agricultural products. A surplus had been piled up and prices fell.

Foreign nations turned to the home production of all agricultural products capable of being produced. The World War inflation of the prices of farm products was duplicated by inflation in the prices of all other products.

In the deflation that followed the war and the price inflation accompanying it, the American farmer suffered severely, principally because of the lessened foreign demand for his products.

Confronted with this condition, the American farmer individually and through various national farm organizations, appealed to Congress for relief.

The fair response of Congress was the passage of the Emergency Tariff Act of 1921, which included high temporary duties on all agricultural products of foreign countries which might be brought into the United States in competition with American farm products.

This was followed by other relief measures of more or less temporary nature.

1922-23—Congress continued to pass farm relief measures, including those to lend farmers in drought-affected areas money to purchase seed grain; to regulate speculation on grain exchanges; to provide credit facilities for agricultural and livestock industries, and various acts for the standardization of farm products.

1924—On April 16 the Senate Committee on Agriculture and Forestry reported the first of the measures known as the McNary-Haugen Farm Relief bills, a series of bills destined to attract wide attention but always to

fail of final enactment into law. This first bill had been introduced by Senator Charles L. McNary, Republican, of Oregon, at that time Chairman of the Committee on Agriculture and Forestry. A similar bill had been introduced by Representative Gilbert N. Haugen, Republican, of Iowa, Chairman of the House Committee on Agriculture.

The McNary bill (S. 3091, 68th Congress, 1st session) did not come to a vote in the Senate.

The Haugen bill (H.R. 9033, 68th Congress, 1st session) was reported by the Committee on Agriculture and was defeated in the House on June 3. One of the features of the first McNary and Haugen bills was the "ratio price," by which it was sought to protect the farmer against loss as the result of surplus production.

1925—On February 26 the Senate Committee on Agriculture and Forestry reported the second McNary bill (S. 4206, 68th Congress, 2nd session), and the House Committee on Agriculture reported on identical bill which had been introduced by Representative Haugen. Neither bill reached a vote before the 68th Congress came to an end on March 4.

1926—On April 19 the Senate Committee reported the third McNary bill (S. 7893, 69th Congress, 1st session) and on April 27 the House Committee reported an identical bill by Representative Haugen (H.R. 1603, 69th Congress, 1st session).

On May 21 the House bill came to a vote and was defeated, 212 to 167.

On June 24 the Senate bill was defeated 45 to 39.

1927—In spite of failures to obtain passage of their farm relief measures, Senator McNary and Representative Haugen, reintroduced them in the second session of the 69th Congress.

On January 18 the House Committee reported the new McNary bill (S. 4808) and on February 11 the Senate passed the McNary bill by a vote of 47 to 39.

In the House the McNary bill was substituted for the Haugen bill and was passed by the House on February 17 by a vote of 214 to 178. This bill was vetoed by President Coolidge and the Senate sustained the veto.

1928—On April 12 the Senate passed the fifth McNary bill (S. 3535, 70th Congress, 1st session) by a vote of 53 to 23. The House Committee reported the bill with amendments and on May 3 the House passed it by a vote of 204 to 121. The bill went to conference and the conference report was adopted by the House on May 14, and by the Senate on May 16.

On May 23 President Coolidge vetoed the bill and on May 26 the Senate sustained his veto by a vote of 31 to 40.

The most talked of features of the McNary-Haugen bill, in its final form, were the "equalization fee" and the creation of a Federal Farm Board to administer the Act. The aim of the Act was to stabilize the price of farm products by the purchase by the Farm Board through cooperative associations, of the surplus, and its storage

and resale under favorable conditions. The producers were to be charged a fee to defray the cost of operation.

The veto of the fifth McNary-Haugen bill by President Coolidge and the inability of its advocates to master the votes in Congress to override the Presidential veto caused it to be dropped.

1929—On April 15 Congress met in extra session at the call of President Hoover, who had made a pledge during the campaign that he would call an extra session to consider farm relief. On the opening day Representative Haugen introduced the Farm Board bill (H.R. 1, 71st Congress, 1st session). The Committee reported the bill on April 16 and on April 25 the House passed it by a vote of 367 to 34. The bill went to the Senate and on April 26 was referred to the Senate Committee on Agriculture and Forestry.

The Senate Committee reported a substitute Farm Board bill (S. 1, 71st Congress, 1st session) with the farm debenture feature added as an amendment. On May 14 the Senate, by a vote of 54 to 33 passed the House bill, having struck out all but the enacting, and substituted the Senate bill.

The bill went to conference and, after many long drawn out sessions of the conference committee, the debenture provision of the bill was dropped and the conference report was finally accepted on June 14.

On June 15 the bill was signed by President Hoover.

The debenture plan was designed to maintain the domestic prices of agricultural products at a higher level than those of foreign products by stimulating exports, thus creating a scarcity of domestic products. Under this plan the Government would issue debentures, or certificates, to merchants exporting agricultural products equal to one-half of the tariff on such products, the debentures to be redeemed by presentation for payment of import duties.

President Hoover opposed the debenture plan and the House supported him, causing provision for it to be dropped out of the Farm Board bill.

On July 15 the Farm Board was set up and began to function. Seven cooperative agencies financially backed by the Board with Government funds, were set up to handle the various agricultural products and to coordinate efforts to stabilize and control the production and marketing of crops.

The continued adverse world market conditions as well as domestic economic conditions militated against the success of the Board, which was finally taken over by the Federal Farm Credit Administration, provided for in the Agricultural Adjustment Act of 1933 (see below).

The Farm Board had a revolving fund of \$500,000,000 and suffered a loss aggregating approximately \$350,000,000, after all its loans and its purchases of grain, cotton and other agricultural products had been liquidated.

1932—At the opening of the second session of the Seventy-second Congress on December 5, 1932, many agricultural relief bills were pending in both houses. Farm organizations having been unsuccessful in obtaining legislation for the equalization fee and export debenture plans, turned their support to what was designated the "domestic allotment" plan as a means toward the stabilization and maintenance of farm prices at what they considered a fair level. The committee held extensive hearings on all these measures.

1933—As a result the House Committee on Agriculture drafted a committee bill, (H. R. 13991, 72nd Congress, 2nd session) sponsored by Representative Marvin Jones, Tex., D., chairman of the committee, providing for the domestic allotment plan.

On January 12 the bill was passed by the House by a vote of 203 to 150. Upon reaching the Senate it was referred to the Committee on Agriculture and Forestry. Senator Ellison D. Smith, S. C., D., chairman of the committee, went to Albany, N. Y., to confer with Governor Roosevelt, the President-elect, on general agriculture matters, and brought back to Washington the report that Governor Roosevelt approved the domestic allotment plan in principle, but thought its application should be confined to wheat and cotton only.

On February 20 the bill was reported to the Senate with amendments, but, as only two weeks remained before adjournment, and as Governor Roosevelt was expected to call Congress into extraordinary session immediately after his inauguration as President on March 4, no serious efforts were made to pass it.

The domestic allotment bill was, however, the basis of the Agricultural Adjustment Act—or at least, Title I of that act, which provided for the present crop control policy.

It provided that the farmer agreeing to reduce production would receive money from the Government to partially compensate him for his losses, the Government to get its money back by means of a tax on the processors or manufacturers, such as millers, etc., the object being ultimately to bring the price of farm products up to the 1909-14 level.

1933—On March 16, President Roosevelt sent the following special message to the Congress:

"At the same time that you and I are joining in emergency action to bring order to our banks, and to make our regular Federal expenditures balance our income, I deem it of equal importance to take other and simultaneous steps without waiting for a later meeting of the Congress.

"One of these is of definite, constructive importance to our economic recovery.

"It relates to agriculture and seeks to increase the purchasing power of our farmers and the consumption of articles manufactured in our industrial communities; and at the same time greatly to relieve the pressure of farm mortgages and to increase the asset value of farm loans made by our banking institutions.

"Deep study and the joint counsel of many points of view have produced a measure which offers great promise of good results. I tell you frankly that it is a new and untrod path, but I tell you with equal frankness that an unprecedented condition calls for the trial of new means to rescue agriculture.

"If a fair administrative trial of it is made and it does not produce the hoped-for results I shall be the first to acknowledge it and advise you.

"The proposed legislation is necessary now for the simple reason that the spring crops will soon be planted and if we wait for another month or six weeks the effect on the prices of this year's crops will be wholly lost.

"Furthermore, by action at this time the United States will be in a better position to discuss problems affecting

world crop surpluses at the proposed world economic conference."

On the same day, (March 16) Representative H. P. Fulmer, S. C., D., introduced a bill (H. R. 3835) to carry out the President's recommendations.

On March 20 the bill was reported from the Committee on Agriculture and on March 22 it was passed by the House by a vote of 315 to 98.

In the Senate the bill was referred to the Committee on Agriculture and Forestry, to which had previously been referred S. 501, an identical bill, introduced by Senator S. D. Smith, S. C., D.

On March 24 the Senate Committee began hearings on the bill, and on April 5 reported it to the Senate with amendments.

Because it contained currency provisions (see below), the bill, after being reported by the Committee on Agriculture and Forestry, was referred to the Committee on Banking and Currency, from which committee it was reported, with amendments, on April 21. On April 28 the bill was passed by the Senate, with amendments.

The House refused to agree to the Senate amendments and the bill was sent to conference. The House agreed to the conference report on May 3, and the Senate on May 9. President Roosevelt signed the bill on May 12 and it became Public Law No. 17, Seventy-third Congress.

The Agricultural Adjustment Act, which is its official title, contains three sections, or titles.

Title I contains the provisions for agricultural adjustment.

Title II amends the Federal Farm Loan Act of 1929 and contains general provisions for farm credits and is officially entitled the Emergency Farm Mortgage Act of 1933.

Title III deals with the issue of currency and is generally known as "The Thomas Amendment" because it embodies the provisions of an amendment offered by Senator Elmer Thomas, Okla., D., a strong advocate of currency inflation.

To study the workings of the Agricultural Adjustment Administration, or AAA, one needs to consider Title I only, since it is due solely to the provisions of this section that agricultural control is being exercised.

1934—On May 8, Henry A. Wallace, Secretary of Agriculture, appeared before the Senate Committee on Agriculture and Forestry with suggested amendments to the Agricultural Adjustment Act of 1933. The main purpose of the amendments was to clear up ambiguous language and to give the Secretary of Agriculture power to enforce marketing agreements and licenses under the Act by forcing compliance on the part of those who were not signing up.

The Committee held hearings at which representatives of processors appeared and opposed the amendments. The Committee made no report before the adjournment of Congress and it is expected the matter will be brought up again early in the next session.

On May 12, President Roosevelt approved H. R. 8402, introduced by Representative William B. Bankhead, Ala.,

D., known as the Bankhead Cotton Control Bill. In its report on the Bankhead bill, the House Committee on Agriculture gave the following description of the purpose of the measure and the reasons for its introduction:

"This bill is designed to supplement the cotton program of the Agricultural Adjustment Administration. Further legislation is necessary in order to promote, during this emergency period, the effective and profitable marketing of cotton and to assure a stabilized cotton agricultural industry. That stabilization is needed in the disposition of cotton in interstate and foreign commerce is shown by the recent history of fluctuating production and marketing and depressed prices as a consequence thereof.

"The sign-up campaign for the 1934 program has just been completed, and again a large percentage of the cotton growers have cooperated in the program. However, the rental and benefit payments that the Agricultural Adjustment Administration is able to make under these programs are necessarily small in comparison with the price at which cotton will sell if the surplus is eliminated. It is now recognized throughout the Cotton Belt that the success of these programs requires the subordination of individual interests to the general welfare. By refusing to take part in the program and by expanding their cotton acreage, those who do not cooperate can destroy the voluntary adjustment programs.

"This bill is designed to make cooperation effective by preventing those who do not cooperate from destroying the cotton-adjustment program. That policy, along with the policy of protecting the marketing by cooperators, is accomplished by the levy of a tax on the excess of cotton going into interstate and foreign commerce detrimentally to the whole cotton industry. With this tax noncooperators will probably receive as much for their cotton after paying the tax as they would receive without a tax if production were to be uncontrolled.

"Revenue will be needed if rental payments are to be continued or are to be increased. This bill provides for raising revenue and if the amount of funds capable of being devoted to the cotton program can be increased thereby the desirable policy of furthering the cotton program of the Agricultural Adjustment Administration can be stimulated."

The practical effects of the Bankhead Act brought strong protests in the cotton-growing section of the country when the price of cotton rose. Many of the cotton growers felt that the curtailment of crops had prevented them from realizing profits. So strong were the protests that on November 11 the Secretary of Agriculture announced a referendum by the cotton-growing farmers on whether to continue the Bankhead Act for the year June 1, 1935, to May 31, 1936. The exact date of the referendum has not been fixed, but it is expected to be held in December or January.

The Bankhead Act provides that it will be continued in effect for the crop-year 1935-36 "if the President finds and proclaims that the economic emergency in cotton production and marketing will continue, or is likely to continue to exist so that the application of the Act with respect to the crop year 1935-36 is imperative in order to carry out the declared policy of the Act."

Conditions Precipitating America's Crop Control Experiment

THE World War created unusual demands for American wheat, cotton, meat products, and tobacco; and American agriculture organized to meet those demands as its contribution to the winning of the war. Production and productive capacity also expanded sharply in other overseas countries, as well as in the United States, to meet the wartime decline in European farm output. In the United States the acreage of 13 important crops was expanded by about 31,000,000 acres during the war years and has been maintained at an even higher level since then. The exports of food products from the United States during the war more than doubled pre-war quantities. The continued dependence of European countries on foreign farm products for a time after the armistice gave rise to still further expansion in farm output during the brief post-war inflationary boom with the result that food exports continued at more than twice the pre-war volume through the 1921-22 season.

In the meantime, crop areas in Canada, Argentina, and Australia increased by 26,000,000 acres by 1920 over the pre-war area, while Europe's acreage in important crops began to return to production immediately after the war. In the post-war depression European buying power collapsed and set in motion a protracted decline in American exports of food products. Recovery from that depression after 1920 was accompanied by a partial restoration of demand for our farm products, particularly cotton. But the restoration of European production continued persistently, and was paralleled by increased competition from the new productive areas of the Western Hemisphere. By 1932 Europe's acreage of important crops, and that of Canada, Australia, and Argentina, exceeded the pre-war acreage by nearly 100,000,000, or 16 percent. The rapid restoration of European production together with expansion in other countries has brought the volume of crop output outside the United States to about 40 percent above the pre-war level. This increase in foreign competition and foreign self-sufficiency brought about a persistent decline in United States exports of food products from 1921 on, long before the 1929 collapse. By 1932-33, export volume finally shrank below pre-war levels. In the face of this shrinkage in foreign demand, acreage of important crops in the United States has been maintained about 10 percent above the pre-war acreage.

Our international economic policies tended to aggravate the shift in foreign demand away from American exports. In the past 10 to 15 years, the United States became the world's chief creditor nation. Foreign nations now owe us much more than we owe them. This new international position called for a national trade policy, permitting a freer flow of foreign products to the United States in payment of wartime borrowings. Instead, our tariff bar-

riers were raised in 1921, made still higher in 1922, and finally pushed up still further in 1930. For a while, exports to foreign countries were made possible by private loans. With development of the widespread speculative activity in the United States after 1927, these loans were eventually sharply reduced. The resulting pressure on foreign countries served to intensify the growth of barriers to foreign trade abroad, after such barriers had already been extensively adopted, both in retaliation for or imitation of our own tariff policies, and for other reasons. The net effect of our international economic policies was to promote economic self-sufficiency, to increase agricultural output and to erect barriers in the way of our agricultural exports.

The depression after 1929, with falling prices, severe pressure on governmental budgets and national financial systems, and reduced consumption of agricultural products, led to still more marked growth in trade barriers. Agricultural production in European countries was further increased and led to almost complete disappearance of export markets for many farm products. Exports of our wheat to Europe, an extreme but very important example, fell to about 20,000,000 bushels in 1932, in contrast with 60,000,000 bushels in 1929, and more than 160,000,000 bushels in 1921. Shut out from foreign markets, our exportable wheat piled up into an enormous surplus.

Paralleling these changes in export demands there have been domestic internal changes which have reduced our total demand for farm products and modified the relative importance of agricultural items in the national consumption, both in total and between different products. The widespread substitution of automobiles and tractors for horsepower has reduced the number of horses on farms from 21,000,000 in 1920 to 12,000,000 in 1933, thus decreasing the demand for feed grains equivalent to the output of 21,000,000 acres. Accompanying this "release" of feed-crop acreage, there developed technics in hog feeding, and a shift in production of both hogs and cattle to lighter-weight animals for slaughter, which increased meat output per unit of feed. The larger total slaughter, with a declining export market, forced surplus hog products into domestic consumption at resulting lower prices.

Other important shifts in domestic consumption which were an outgrowth of the surplus feed prices, were increases in the per capita consumption of dairy and poultry products. Producers of these domestically consumed products, together with producers of fruits and vegetables, experienced the benefits of the expanding purchasing power of consumers up to 1929. Under these conditions, it was possible for these products to move into consumption in larger and larger volume without compensating reduction in price. With the decline in general demand conditions after 1929 these branches of agriculture were also severely affected, although not so severely as the major export products.

Marked reductions have also occurred in the per capita consumption of wheat, corn, rye, and potatoes. These are an outgrowth of the changed habits of life brought about by the advent of the automobile, by a greater concentration of the population in apartment homes, and by an

occupational shift toward service and professional activities that call for smaller per capita requirements of food-stuffs.

Changing styles and habits in dress have reduced requirements for wool and cotton for clothing and have shifted consumption partly to silk and rayon. Here, however, increased industrial uses have been a partial offset, particularly for cotton.

Another hidden but nevertheless potent factor in domestic demand is the reduction in the rate of population growth and the changing age composition of our population. Instead of an annual increase of about 2 percent 15 years ago our population has recently been increasing at the rate of 1 percent.

Similarly the increased proportion of the population in the older age groups, and a decline in the proportion of young people has had and will have even in greater degree an effect on the relative importance of the items in the national food budget.

Furthermore, new technological discoveries and applications, and the development of new producing areas in other countries, especially tropical and subtropical countries, have increased the competition of imported agricultural products in our markets. Vegetable oils and vegetable fibers particularly, and tropical and subtropical fruits, have become important elements in the national consumption.

As a whole, these shifts have led to a gradual contraction in the total demand for certain of our staple food products. The depression since 1929 has accentuated the weakening domestic demand, particularly of cotton, which has suffered from contraction in demand both for clothing and for industrial uses. Until 1929 these downward shifts were accompanied by expanding demand for other products, some at a modest rate and some at a rapid rate, such as dairy and poultry products and truck crops. Other products experienced a stable, or gradually declining demand, among the latter being hay and feed grains.

Extensive shifts in the domestic and foreign demand for American farm products, developing gradually during relatively normal periods, bring about corrective adjustments. Arising largely out of the great upheaval during the World War, continuing thereafter partly hidden from view by the development of an industrial boom, and finally taking on major depressing influences on farm prices in the economic chaos of 1929-32, the shifts in domestic demand are beyond the efforts of the individual farmer to cope with. The corrective measures must be on as broad a scale as the causes that brought about the lack of balance between output and demand.

Material increases in acreage and production were made in response to the war and post-war home demands. By 1920 the acreage in 13 important crops had been increased from 290 million in the pre-war years to 321 million, and was maintained at 320 million in 1932. While there has thus been very little change in total acreage since 1920, noticeable shifts occurred as between crops and regions. For example, the area in wheat States east of the Mississippi River decreased from 16 million in 1920 to 10 million acres in 1930, but this was exactly offset by an expansion in Western States. But such internal shifts have merely served to transfer the incidence of weakening demand from region to region and from commodity to commodity.

Total production also increased during the first part of

the post-war decade and was maintained not only during the second half, but even after the 1929 collapse. Between 1924 and 1931 total farm output was nearly 20 percent greater than in 1919-21, and but for unfavorable weather conditions the output of 1932 would have been equally as large. Hidden in this evidence of aggregate stability are major commodity and regional shifts, such as the continued expansion of dairy and poultry products and of fruits and vegetables, which for a time enjoyed an expanding domestic demand. Regional readjustments took place to meet the abnormal geographic burden of costs that was created by the greater decline in net farm receipts for commodities produced at the greater distances from consuming centers. As a whole, these resulted in as much increase in production in some regions as there were decreases in other regions.

Some shifts between crops have taken place. From 1929 to 1932, wheat acreage seeded fell 9½ percent, partly due to unfavorable weather conditions; cotton acreage, 12.6 percent. High cotton yields in 1931 offset acreage reductions and helped maintain surplus stocks. Other southern products at the end of 1932 were so low in price that no further reduction in cotton acreage was to be expected. Crops for farm use showed remarkable increases, especially in the South. The acreage in peanuts, cowpeas, sweetpotatoes, and sorghums increased 40 percent; corn and hay acreages increased in regions which previously imported food and feed. Truck crops for canning decreased over 400,000 acres, or 35 percent; but truck crops for market increased almost 200,000 acres. In general, production of specialized or perishable crops for long-distance shipment declined; crops for home subsistence or for nearby or local sale increased.

These geographic shifts in production, in response to the present relatively high marketing charges and transportation costs, are building up new agricultural industries in areas where they cannot be maintained once a more normal balance between incomes, prices, and marketing and transportation charges has been reestablished. New commitments are being made which will prove unprofitable later on, and which will show up as new maladjustments to be solved when normal geographic and regional specialization once more becomes profitable.

Livestock production has been held to relatively high levels under the stimulus of cheap prices for feeds. The depression happened to catch the beef cycle at the low-production extreme. Widespread droughts reduced corn production in 1930 and 1931, and retarded livestock expansion, but in 1933 hogs, beef cattle, and perhaps dairying were set for increased production; in the absence of corrective action, the 2 or 3 years following would see the same general declines in relative prices of livestock as followed the similar period of low feed prices in 1920 and 1921.

The sharp decline in prices after 1929 affected certain commodities more than others, and acreages were reduced for some products most seriously affected. The South made two attempts at reducing acreage in response to unprofitable cotton prices, once in 1931 and again in 1932, but partly because of favorable growing conditions in 1931 and partly because of the continued low consumption, these adjustments proved inadequate. The decline in prices of other southern farm products which had taken place in the meantime, led cotton growers in the winter of 1932 to plan an increase in their cotton plantings for 1933.

Further prolonged disaster confronted the South if it continued in its inability to adjust supply to demand.

In the wheat belt a similar situation was developing. There much of the acreage planted in 1932 had been abandoned, and the prospect of somewhat higher prices arising from this fact led wheat growers to plan an increase in their plantings in 1933. In the face of staggering surpluses of both wheat and cotton of about three times their usual volumes, these contemplated actions constitute a clear illustration of the continued disaster that confronted the millions of farmers in these vast agricultural areas because of their individual inability to adjust supply to the national and international collapse in demand.

At first the pressure of continued production forced farm products below pre-war exchange values, and moved the excess supplies into consumption without actual accumulation of stocks for more than very brief periods. The distorted post-war relation between production and demand for grains and meat animals in every year but one since 1920 has kept grain and meat-animal prices, as a whole, considerably below their pre-war exchange values. With mounting consumer incomes up to 1929, relatively low meat prices helped to sustain consumption.

After 1928 and 1929 the pressure of continued production on markets where demand kept falling month by month, became so severe that in spite of low prices the excess stocks began to pile up to unheard of levels. These stocks threatened to perpetuate the relatively low price levels if governmental steps were not taken to aid producers in making the necessary production adjustments. The products for which the lack of balance between production and demand was greatest were the international products, such as wheat, cotton, tobacco, and wool, and these showed the greatest fall in prices.—*Extracts, see 1, p. 320.*

The "A. A. A." and Its Work

(The Agricultural Adjustment Administration)

THE Agricultural Adjustment Administration is charged with carrying out the provisions of the agricultural adjustment act, approved May 12, 1933. This act expresses the policy of Congress to establish and maintain such a balance between the production of agricultural commodities and the demand for them, and to provide such marketing conditions for these commodities, as will restore the purchasing power of agricultural goods to the level which it held during the years 1909-1914. The act also provides for protecting the interests of consumers by insuring that farmers will not receive a greater percentage of consumers' retail payments for the products of agricultural commodities than farmers received during the pre-war base period.

Two methods of increasing agricultural income are provided for in the agricultural adjustment act; one is by voluntary agreements between the Secretary of Agriculture and producers of seven basic agricultural com-

modities. In these agreements the producers agree to adjust their production; in return they receive compensating benefit payments to prevent their total income from being reduced as a result of their adjustment of production. The other method is through marketing agreements among distributors and manufacturers of agricultural goods. The Secretary of Agriculture becomes a party to these agreements. Their purpose is to improve returns to producers, remedy defects in distributing methods, and protect consumers against undue increases in distributing and retail costs.

Funds for making benefit payments to farmers who adjust their production in accordance with the programs of the Agricultural Adjustment Administration are derived from the proceeds of processing taxes levied by the Secretary of Agriculture on basic agricultural commodities and upon commodities that compete with these basic commodities. The basic commodities listed in the act are wheat, cotton, corn, hogs, tobacco, rice, and milk and its products.

The agricultural adjustment act also provides for efforts toward improving foreign and domestic markets for American agricultural products, and authorizes action to remove from the market burdensome surpluses of agricultural commodities.

Under an Executive order of the President, codes of fair competition for all industries engaged in handling food products were placed under the jurisdiction of the Agricultural Adjustment Administration except as regards provisions relating to wages, hours, and conditions of labor.—*Extracts, see 3, p. 320.*

Monies Paid Out by the "A. A. A." to Date

As of October 1, 1934, the expenditures for crop control and crop relief totaled in round numbers, \$468,850,000.

Of this amount, \$345,593,486 was spent by the A.A.A. on benefits and rentals, divided as follows:

Wheat contracts, \$72,631,099; tobacco contracts, \$16,343,293; corn-hog contracts, \$101,945,334; cotton contracts, \$154,674,759.

In addition to this the following sums were spent on removal of surpluses:

Corn-hogs (1933) \$45,951,873; wheat (Pacific Northwest) \$5,619,253; butter and cheese (for relief) \$12,107,561; drought cattle, \$62,691,046; seed conservation, \$6,877,489. These funds came from the emergency drought appropriations outside the regular A.A.A. crop control funds.

The expenditures for the purchase of surplus hogs, cattle and wheat went direct to the farmers. The butter, cheese and seed purchases were made in the central markets.

So far 3,351,514 farmers have signed A.A.A. contracts. Of these, 550,000 signed wheat contracts; 1,026,514 signed cotton contracts; 275,000 signed tobacco contracts and 1,500,000 signed corn-hog contracts.

Glossary of Terms Used in A. A. A. Discussions

A.A.A.—Initial letters of the Agricultural Adjustment Administration created by the Agricultural Adjustment Act of 1933.

Agricultural Commodities—These include all products produced on the farm.

Cooperative Associations—These associations are divided into two general classes: cooperative purchasing associations and cooperative marketing associations. (See below.)

Cooperative Purchasing Associations—Organizations of farmers which purchase their farm supplies cooperatively instead of individually.

Cooperative Marketing Associations—Organizations of farmers which sell their products collectively instead of individually. Each association usually handles a single commodity or a closely related group of commodities.

Creditor and Debtor Nations—A creditor nation is one which has loaned money to another nation, or whose citizens have invested money in the bonds of a foreign nation, or its industries. A debtor nation is one which has borrowed, or in the affairs of which the citizens of another nation have heavy financial investments.

The usual method of repayment of money between nations is what is known as "balance of trade." For example: If the United States has loaned money to the French Government and American citizens have invested in French securities, governmental or commercial, France counts on selling a certain part of her products to America to obtain money to repay American loans.

When the "balance of trade" among nations is normal, each can gauge with reasonable accuracy the probable sale of its commodities.

Prior to the World War, America was a debtor nation, but because of its having made war loans to foreign governments, it became a creditor nation.

Domestic Price—The average price of a commodity prevailing in the principal markets of the United States during a given period.

Marginal Lands—Those lands which are just barely suited for the use to which they are put. Popular usage of this term often includes also submarginal lands which are those that are clearly unsuited for the uses to which they are put.

Market Gluts—These refer to a condition in which the supply of a commodity which is offered for sale at a given period of time exceeds the demand of that time.

Parity Price—As provided in the Agricultural Adjustment Act, "parity price" is that price for agricultural products that will give agricultural commodities a pur-

chasing power with respect to articles that farmers buy equivalent to the purchasing power of agricultural commodities in the base period of 1909-1914.

Price Stabilization—The elimination of the violent fluctuations in prices upward and downward to bring about a more uniform price on an equitable level. It may also refer to the stabilization of the value of the dollar so that it will remain reasonably constant in exchange value.

Processing—(As used in the Agricultural Adjustment Act)—In case of wheat, the term "processing" means the milling or other processing (except cleaning and drying) of wheat for market.

In case of cotton, silk, and rayon, the term "processing" means the spinning, manufacturing, or other processing (except ginning) of cotton, silk, or rayon, and the term "cotton" shall not include cotton linters.

In case of tobacco, the term "processing" means the manufacturing or other processing (except drying) of tobacco.

In case of hogs, the term "processing" means the slaughter of hogs for market.

Processing Tax—A tax levied on processors or manufacturers using farm products as raw material. The amount of the tax is fixed by the Secretary of Agriculture at a rate which equals the difference between the current average farm price for the commodity and "the fair exchange value" of the commodity, which is the exchange value the commodity had during the "base period" of 1909-1914. The processing tax was levied by Congress to obtain revenue for the extraordinary expenses incurred in putting the Act into operation.

Processors—Those agencies which process agricultural commodities in some way during the marketing process between the producer and the consumer. Meat packers, cheese factories, flour millers, canners, etc., are processors.

Surpluses—There are many kinds of surpluses and the terminology used to designate this kind is not standardized, but varies considerably. The following definitions cover different types of surpluses, even though there may be disagreement as to the names to be applied to them. **Regional Surpluses** refers to a surplus which is produced above the needs of one particular region of the country. There may be regional surpluses in a year when the total national supply is deficient. **Exportable Surplus** refers to the excess above the requirements for domestic consumption, and beyond the control of the processes of orderly marketing. **Seasonal Surplus** refers to the amount produced in excess of the consumption for a particular season or period of the year. **Carryover** refers to the amount available in excess of consumption during a marketing period and which must be carried over into a succeeding period.

World Price—The average price of a commodity prevailing in the principal markets of foreign countries during a given period.

An Analysis of the Farm Outlook for 1935

GREATLY reduced supplies of most agricultural products with some improvement in consumer purchasing power are expected to bring about a higher level of farm income during the first half of 1935 than during the first half of 1934, despite the continued low foreign demand for American farm products.

Farm production larger than the unusually small production of 1934 is expected next year. The higher 1934 prices may tend to stimulate excessive planting of some crops in 1935, particularly where adjustment programs are not in effect. Continued improvement in demand late in the year will depend primarily upon recovery in the durable goods industries, where the decline in employment and production has been most pronounced.

A small improvement in the purchasing power of farm families may, in general, be expected. In the areas severely affected by the drought, however, cash incomes during 1935 will be extremely low, at least until the new crops are marketed.

Prices of commodities used in agricultural production probably will average somewhat higher than in 1934, at least until the middle of 1935. The credit situation will continue to show gradual improvement above the bad conditions of the past several years. Drought stricken farmers without security, however, will require special consideration. The demand for credit will probably exceed that of 1934 since the accumulated needs for equipment and repairs are much greater than in recent years.

The wheat situation in 1935 will depend largely upon yields, but the probability is that the United States will have a considerable export surplus of wheat in 1935-36. Such a surplus, in the absence of any special measures to relieve its pressure on the market, would probably result in lower prices on an export basis at some time during the year and on an average level not much above an export basis.

A further reduction in world carryover of American cotton is expected by August 1 next, even should world consumption be less this season than last. World supply of all cotton for the 1934-35 season is estimated at 5 to 10 per cent less than the record supply of 1933-34, but considerably more than for any year prior to 1931-32.

Further expansion of cotton production in foreign countries is expected. But this is likely to take place slowly since there are factors which tend to retard such developments in most of the foreign cotton producing areas. Cotton acreage in the United States will be increased next year, it is stated, since the adjustment contracts which cover both years provide for a maximum reduction in 1935 of 25 per cent from the grower's base acreage, whereas, in 1934, the contract signers planted 38

per cent less acreage than during the base period.

The outlook for numerous types of tobacco, particularly flue-cured, is reported as much improved over a year ago. Burley is the principal exception, production not having been decreased enough to improve the supply situation materially. Domestic consumption of tobacco products has increased, and exchange rates favor exportation of American tobacco. American tobaccos, however, are continuing to meet increased competition in foreign markets, and a large quantity of tobacco formerly bought from the United States has been replaced by competing foreign types.

A substantial advance in prices of all meat animals is expected. Numbers and weights of animals slaughtered will be reduced, and the general quality and finish of these animals will be much below average. Slaughter reduction is expected to be pronounced after February next, and the greatest relative shortage will develop next summer. The decrease in pork production will be relatively more than that of beef or lamb.

Supplies of feed grains this year are the smallest since 1881 due to the unprecedented drought, and the number of meat animals on farms the end of this year will be the smallest since 1899. In the next few years the maladjustment of livestock numbers to probable feed-grain production will be one of the most difficult problems confronting American agriculture. An increase in acreage of feed grains and hay is expected next year, and, should feed crop yields be normal or better, total feed supplies would be very large in relation to the number of animals to be fed. Feed prices would then be low in relation to prices of livestock and livestock products. No material expansion in livestock numbers is expected prior to 1936.

Cattle prices are expected to average materially higher next year, and marketings and slaughter of cattle and calves to be greatly reduced. High cattle prices relative to feed prices the next few years are expected to result in increased cattle production in all areas, and especially in this year's drought areas.

Possibility of a further reduction in hog production next year is seen, since the spring pig crop is expected to be smaller than that of last spring, and it is considered unlikely that the 1935 fall crop will be big enough to offset this decrease. Hog prices are expected to average materially higher than the relatively low prices of the last three marketing years, and to continue high through the following winter season. Per capita production of hog products this marketing year will be the smallest in half a century.

The wool clip of 1935 will be the smallest in several years, on account of a sharp curtailment in the number of sheep. This will tend to strengthen domestic prices, but domestic stocks of wool are large. Prices will depend largely upon world wool production, and upon prices and consumer demand for wool textiles in this country. Substantially higher lamb prices are expected as a result of decreased supplies of all meats.

A generally favorable outlook for poultrymen this fall

and winter is seen, except in severe drought areas where scarcity of grain is forcing a drastic reduction in poultry stocks. Supplies of eggs and poultry will be relatively short until next summer when chickens of next year's hatching begin to affect supplies. Prices of poultry products are expected to continue at seasonally high levels until that time. Turkey prices are expected to be higher this year on account of the moderately smaller crop and reduced supplies of other meats.

The dairy outlook this feeding season is stated to be unfavorable on account of the shortage of hay and grain. Prices of hay and grain are higher in comparison with the price of butterfat than in any previous fall since 1911, and the price of feed is expected to continue unusually high this winter in comparison with prices of dairy products. A low level of milk production this winter is probable. The number of milk cows is being rapidly reduced, fewer heifers are being raised, and the extensive drought damage to pastures, meadows, and new seedlings will tend to restrict expansion of dairying in 1935.

Continued expansion in production of fruits is looked for as present non-bearing acreage comes into bearing and as the yield of young trees now in bearing increases. Fruit exports from the United States the next few years will depend, to a considerable extent, upon modification of trade barriers in foreign countries. In the last decade, approximately 10 per cent of the commercial United States fruit crop was exported.

Moderate replacements and plantings of apple trees are justified, to maintain the present volume of production ten to fifteen years hence. Exporters of apples, however, may expect increased competition abroad, since foreign countries are working toward increased production and improved quality. Increasingly heavy supplies of oranges and grapefruit are in prospect without a corresponding increase in the demand during the next few years.

A more favorable market outlook for commercial truck crops for fresh market shipment is seen, in view of higher wholesale food prices, and the reduced supplies of meats, dairy products, and poultry products.

Potato supplies in 1935 probably as large or slightly larger than in 1934 may be produced if average weather conditions prevail, since growers, should they respond to price as they have responded in the past, will still be influenced by the favorable prices received for their 1933

crop and probably will plant about 3,313,000 acres. Normal yields on this acreage would produce 365,000,000 bushels, which is a larger crop than could be marketed to advantage.

Slightly greater demand for sweet potatoes is expected next year, largely because the general level of food prices is higher. A considerable decrease in cabbage acreage is expected on account of current low prices. Tomato growers, encouraged by 1934 prices, may produce an excessive market supply next year. Late onion growers are told that ordinarily a little less than 50,000 acres will produce an ample supply of late onions to meet consumption requirements. An expansion of watermelon acreage next year may result in excessive production and a substantial reduction in growers' income.

Should current prices of canned goods have their usual influence upon canners, growers of canning vegetables may expect to secure contracts for a nearly record acreage in 1935 at prices about equal to or above those received in 1934. An acreage of tomatoes for canning, about 15 to 20 per cent less than that planted in 1934, would yield a pack sufficient for probable consumption requirements. A reduced acreage of snap beans for canning would produce enough of this product to meet consumption requirements. Overproduction and reduced prices may result from planting in 1935 the same acreage of green peas for canning as in 1934. Growers of sweet corn for canning may be able to contract tonnage in 1935 at prices equal to or exceeding those in 1934.

A much larger than usual proportion of the peanut crop is expected to be diverted to crushers or to be used as feed, under the AAA program, and less than the usual quantity sent to cleaners and shellers. Higher prices for peanut oil and peanut meal have made it possible for crushers to pay more for peanuts. Prices of dry beans are expected to be much higher than in recent years of surplus domestic supply.

If rice acreage and production are not successfully controlled next year at around the 1934 level, present prices cannot be maintained. The carryover of rice on August 1 next year is expected to reach record levels.

Supplies of clover seed and alfalfa seed are the smallest in many years, and another short crop of clover seed is in prospect next year. Prices of red and alsike clover seed are expected to continue at relatively high levels for another year.—*Extracts, see 2, p. 320.*



Is the "A. A. A." Experiment Proving a Success?

P R O

Affirmative

BECAUSE we have had in the United States this season the worst weather for crops in 40 years, advocates of the old order whisper it around the country that the drought is a judgment from Heaven upon us, and they say that the entire program of the Agricultural Adjustment Administration should be abandoned immediately. They are advocates of chaos.

An adjustment program must in its very nature be kept adjustable, and it should be at all times subject to free criticism. But when you come to examine most proposals of the opposition you find that the cry is for no course at all. On our course to balanced harvest and an assured and stable food supply we have met bad weather. In time we shall meet bad weather again. Therefore, these old-deal pilots say that we must abandon distant landmarks, toss all charts overboard, and steer as of old from wave to wave. It was just such childish courses that had us about on the rocks on March 4, 1933, and we have as yet by no means triumphantly weathered the consequences of their heedlessness.

In our grabbing, joyous youth as a nation we could better afford to trust ourselves to such pilots. When things went wrong there was a near and friendly shore. In time of depression you could hit out for free land or still unplundered mines and forests, each man for himself, devil take the hindmost, and gamble some more.

But it should by now be plain to nearly everyone that we can no longer escape from depressions by a restless, greedy spirit and dumb luck. We cannot get out of this mess by throwing all discretion overboard, or by blindly sailing separate courses which have no sensible relation or common port. For the long pull we cannot starve agriculture and save industry, or fatten our agriculture at undue cost to our townspeople. Americans are too exclusively one another's customers to permit free raiding privileges either way.

The job of maintaining a just and workable internal balance of purchasing power is a hard one, but we cannot afford again to let things ride. We must lay a long-time course and manage to obtain an understanding, general allegiance to it. For one thing, our people in both agriculture and industry must soon decide whether they are going to make some necessary sacrifices along our tariff barricades, and open up business with the world again, or whether, under a rather severe system of internal cooperative discipline, we are going to try to keep business going more or less exclusively among ourselves.

There is also the long-time question of a wise use of our natural resources. The first of these is our soil. The damage this savage drought has done our land will heal

by

Hon. Henry A. Wallace

U. S. Secretary of Agriculture

with rain, but the damage that we ourselves have done our land by generations of haphazard, misplaced settlement, overcropping exploitation, and permitted erosion will never heal unless we take hold of the situation, and keep hold, with a long-time program of soil repair, resettlement, and balanced harvests.

On the new course, we are making progress; but we have far to go. There will still be out of work in the United States this winter about 8,000,000 men and women. Perhaps 5,000,000 of these are able and aching to work. They are blameless inheritors of a long-continued national policy of simply trusting to luck. The considerable part of our still-existing farm surpluses which is diverted through the present program to feed these millions will be of great help; but the unemployment situation continues serious and calls for something more enduring than patchwork and guesswork.

Our program to secure for farmers a pre-war parity price for their products has a definite and demonstrable connection with city employment rolls. When farmers are permitted to go broke by the millions, as they were under the old deal, our greatest single domestic market for city goods is shattered; factories are closed; breadlines are lengthened, and again are lengthened by the migration of dispossessed and desperate farmers seeking jobs in town, at any price.

Opposition to agricultural adjustment is not merely partisan. Prominent among the opposition are men and interests tagged Democratic as well as Republican. They are believers in an industrial and agricultural wonderland where nothing is managed but where they imagine all things work for the best, and especially so for the best people. Their cruel and stupid national policy of high and yet higher tariffs for industry, with nothing to compensate agriculture for a vast loss of export business, led me to get out of the Republican Party. It seems that they have forgotten nothing and learned nothing in the hard years since 1929.

It is not true, as the oldtimers charge, that the young Agricultural Adjustment Administration is inhospitable to criticism and cannot take it. We have taken plenty from the first, and have used whatever we could find in it to repair our mistakes on the march.

At times we have had to meet emergencies by rather crude measures. We have made some bad guesses. But on the whole I think we may claim to having stuck fairly close to attacking a fact which throws this nation badly off balance, unless something is done about it, from year to year.

Many people do not like crop control and they do not

Pro continued on page 302

Is the "A. A. A." Experiment Proving a Success?

Negative

C O N

To me, the most disturbing fact of the time is the number of Americans, in high position and low, who are falling victim to a defeatist mood, apparently assuming that progress has come to a dead end, that science and technology have been too efficient in producing a limitless output at low prices, and that the thing to do is to plan a lesser output at higher prices.

To restrict production and to raise prices as a general policy is, to me, not liberalism but reaction, not statesmanship but surrender, not creative advance but cowardly retreat. That way lies the subsidizing of inefficiency. That way lies the sabotage of superior management that knows how to bring both the cost of production and the price of products down. That way lies a permanent and perilous lowering of living standards for the swarming millions. It was not for this that the pioneers bled their blood and sacrifice into the foundations of this republic. More goods at lower prices, not fewer goods at higher prices, is the logical goal.

To me it is incredible that in a world of tragically unfulfilled human needs we should now set out upon the quixotic attempt to increase welfare by destroying wealth or declining to create it. Our ancestors fought valiantly over the centuries to conquer famine. Are we now to say that their conquest has been too decisive? After the sweat and science of generations have brought us out of an economy of scarcity into an economy of plenty, are we to confess that we are incapable of managing plenty and deliberately legislate modified famine?

I insist only that it is the first obligation alike of economic leadership and of political leadership, under an economy of plenty, to refuse to consider reversion even to a modified scarcity until it has exhausted its ingenuity in devising ways and means of translating existing human need into effective economic demand.

If suddenly some vast new market should be discovered, capable of absorbing the existing and potential surplus of our industrial and agricultural production, our worries would be over, the wheels of industry would hum a new national anthem and the tractors would lumber with ponderous gayety across our broad acres. Is such a market discoverable? I think it is.

While I take no stock in the new cult of Little Americans who are turning their backs upon the rest of the world and preaching a doctrine of self-contained nationalism, I am quite aware that no such market is likely to be found abroad in the decade immediately before us. We shall find the major clew to the conquest of our difficulties at home. There is a vast new market, an unexploited business Eldorado, in our midst if business

by

Glenn Frank

President, University of
Wisconsin

and industrial leadership will but see it and set seriously about its creative development. This unexploited Eldorado of American business and industry is made up of the millions who today are too poor to buy beyond the bare subsistence level. Private capitalism's surest guarantee of permanent and prosperous survival lies in the conquest of poverty

on this continent.

As I use the term "poverty" I do not mean utter destitution. I mean an income insufficient to provide the minimum of goods and services essential to the maintenance of decency, health and comfort.

In so far as statistical averages reflect reality, some 10,000,000 American families, comprising perhaps 33 per cent of our population, were in poverty in the sense of being unable or barely able to finance the minimum requirements of subsistence at the height of the prosperity of the boom decade.

Since 1929 the situation has grown more rather than less serious. As the depression deepened, income dropped faster than living cost; and, under sincere but not always closely correlated recovery efforts, living costs have risen faster than income.

In the American families now living at these economic levels is to be found the vast unexploited market to the effective development of which business and industrial leadership should bring its highest genius.

I have a rapidly waning confidence in purely political schemes for equipping these millions with buying power. It is, I think, juvenile to assume that by revising our taxing program drastically upward we can turn the trick by taking money out of one pocket and putting it in another. To transform these poverty-bound millions into paying customers calls for something more fundamental than a wider distribution of the national income as we have known it. It calls for a vast extension of the national income; it calls for a speeding up rather than a slowing down of our productive energy.

Nothing but panicky thinking could have given vogue to the notion that, with one-third of our population at the poverty level when the prosperity curve reached an all-time high at the end of the decade in 1929, and with perhaps one-half of the American people within the property range in 1933, we had reached a point at which our social salvation and economic recovery depended upon throwing the brakes on our productive energy.

This is defeatism pure and simple. This mood of panic and patent medicine politics must pass.

In estimating the potential new market that lies at our door, if it but had the requisite buying power, we must

Can continued on page 363

like the processing taxes. They say that processing taxes are, in effect, sales taxes. In a way, they are; but so are tariffs. Every farm-relief drive has started off as a drive for a tariff-equivalent measure for agriculture. But because the tariff is so explosive a subject politically, cutting the old party lines into a maze of local interests, industrial and agricultural, the tariff-equivalent aspects of farm relief are little stressed, as a rule, by partisans.

In presenting to the nation at Topeka the fundamentals of our present program of agricultural adjustment, President Roosevelt frankly said that the domestic-allotment plan, with its processing taxes, was designed to give farmers tariff-equivalent protection. And we who are in the agricultural adjustment end of his administration have stated repeatedly that the emergency phase of our program is designed primarily to hold the fort until the people of the United States as a whole are willing to permit a sane relaxation of tariffs.

If tariffs are lowered, and many more foreign goods are brought in to repay farmers and others for goods shipped abroad, we can have fewer and lower processing taxes. To the extent that we levy on and restrict trade at our borders, however, we must maintain compensating restrictions to sustain agriculture—our greatest exporting business—within. The processing tax is the farmers' tariff. We cannot get along without it and have high tariffs too.

The very first thing we tried to stress about the A.A.A. was its adjustability to changing circumstances and emergencies. Immediately after the passage of the Farm Act, in May of 1933, I went on the air, and said:

"The first job is to organize American agriculture to reduce its output to domestic need, plus that amount which we can export at a profit. If it happens that the world tide turns, we still can utilize to excellent advantage our crop adjustment set-up. We can find out how much they really want over there, and at what price; and then we can take off the brakes and step on the gas a little at a time, deliberately, not recklessly and blindly, as we have in the past. . . . But first a sharp downward adjustment is necessary, because we have definitely refused to face an overwhelming reality, and changed world conditions bear down on us so heavily as to threaten our national life."

The thought I was then trying to develop is that it is a poor piece of social machinery which is built to operate always in reverse. The A.A.A. was not thus planned or built. We have in it something new, and still crude, but it is a typically American invention equipped to meet crises, go around or through them.

On the drought-stricken ranges west of the Corn Belt the action we took in the early summer to salvage relief beef and cheap beef was not just luck. It was a planned piece of work to save cattlemen from an absolute wipe-out and to help provision the nation. So in this last session of Congress cattle were made a basic commodity and funds were provided for cattle adjustments without thought of drought.

By the time drought came, we were ready to go into action which was swiftly shaped to meet drought conditions. Toward the end of the session, the A.A.A., the

Federal Emergency Relief and Farm Credit Administrations saw that additional funds would be needed to handle the increasingly acute drought situation. As a result, several million cattle will be turned into satisfactory canned beef for relief purposes.

The A.A.A. work could start promptly because cattle had been made a basic commodity under the Jones-Connally Act. Without governmental action, these cattle would have died of thirst or hunger, rotting on the range. The people on relief will have more beef to eat. Prices paid to farmers outside the drought regions have been protected against a smash under the impact of a rush of distress animals to market. Western cattlemen, cattlemen everywhere, and their creditors, will have more money; and if the drought in the end does not prove too utterly disastrous, there will emerge from the tragic mess a better proportion of grazing land in the West.

The consumer cannot escape somewhat higher prices, resulting from this drought. Such a catastrophe is bound, in many ways, to take its toll as inevitably as does an eruption of Mount Vesuvius. But because we saw this catastrophe in its inception and took means to salvage all that cattle meat; because, also, in June, we released acreage previously contracted to be held out of commercial crops, for planting to hay and forage feeds, there is a firmer foundation under the future meat-production schedule of this country—both from the producers' and the consumers' standpoint—than there would otherwise have been.

Grain, grass, and forage have been saved from the jaws of then unneeded and unborn livestock. Through relief measures, the superior breeding stock of our herds in the stricken territory has been preserved. Cattle of the future will be of more efficient type. There is now a better balance between livestock and feed crops than there would have been if the adjustment program had not been in effect. In the long run, all this is a matter of insurance against absolute privation, for the consumer as well as for the farmer.

The farmers, despite such aid as we can soundly give them, are paying for the drought now, in terms of normal yields shot to pieces. The consumers—and this in some part again includes the farmers—will have to help pay for it in the coming year, in terms of prices imposed by a relative scarcity. Pork prices in 1935 will undoubtedly be higher than if we had not taken action. Bread may be perhaps a cent a loaf higher. Cotton shirts and overalls will cost perhaps about 10 cents more apiece.

But all this has been absolutely essential to prevent the complete ruin of hundreds of thousands of farm families; to avoid striking them from the lists of buyers of city-made goods; to keep them on their farms, ready to resume in normal weather their function of growing the nation's food; to insure in the future better-balanced farming systems and a more stable food supply; and to prevent a renewal of wholesale disposessions and migrations, with increasing pressure upon city occupations and relief rolls.

Drought is an appalling thing. But in providing for planning to meet any situation, in creating emergency

Pro continued on page 304

Frank, Cont'd

add to the fact that these millions of Americans now at the poverty level are consuming an inadequate quality and variety of goods and services. A completely realistic analysis of our problem would indicate, I think, that our most serious problem is not surplus but famine. I do not mean quantitative famine. I mean qualitative famine.

People may starve because the amount of their food is too little. They may starve also because the quality of the food is too low. The first sort of famine is quantitative and spectacular; the second sort is qualitative and subtle. Quantitative famine means death to the individual; qualitative famine means depletion of the national fiber.

A business and industrial leadership that will take as its job the conquest of poverty and qualitative famine, as I have here defined them, will open up the biggest new market we have yet known, solve such problems of surplus as exist; realize, even on a narrow profit margin, larger total profits than it has dared imagine, and make the industrial giants of yesterday seem dwarfs.

The achievement of these ends requires, as I have suggested, that we turn our backs decisively upon any idea of a retreat to an age of scarcity, and that we deliberately construct an economics of plenty.

I shall not presume to sketch the intimate details of an economics of plenty. These must be hammered out on the anvil of practical experience. But a few of the bases of an economics of plenty have, I think, become indisputably clear.

There must be no wholesale restriction of production in an age of potential plenty. We must move ahead under full steam. And, although it may be damned as unrealistic and oversimplified by this business man and that economist, we must move generally and promptly in the direction of higher wages, shorter hours, lower prices and a narrower profit margin per unit of scale of service. All of which can, I am convinced, mean not only greater social satisfaction to the masses but greater total profits to the producers.

We cannot run an economy of science, technology and power production in low gear. Its nature is such that it must run at full tilt and play for mass production and mass consumption. Otherwise it can neither serve the masses to the limit of its power nor make profits to the limit of its possibility. It chokes itself with unsalable surpluses if it produces to the limit when the masses lack buying power to absorb its output, and it sinks itself under suicidal overhead costs if it tries to operate at less than its capacity.

We cannot stabilize an economy of science, technology and power production through any artificial elevation of prices that protects high production costs, encourages waste, limits output and tolerates monopoly. We must give our productive energy its head and adjust our economic policies to its implications.

The need of the moment and the need of the age, as I have said, is more goods at lower prices. I am quite aware that the depression showed some prices below the profit-making level, granted existing production costs. Granted existing costs of production! That is the fatal assumption upon which so much of the superficial eco-

nomie thinking of the time rests. Is it either social wisdom or sound business planning to grant existing production costs? There is relatively no limit to the extent to which American ingenuity can go in cutting production costs. It is short-sighted, to say the least, to jack prices to a point at which managerial genius may go lazy on us.

Recovery would, I am convinced, be further along today if we had spent less energy in boosting prices, had centered attention more effectively on boosting incomes, with ample credit, governmentally provided if necessary, for wage-paying enterprises during the transition to normal conditions, and had confronted industry with the naked challenge to cut production costs to a point at which profits would be possible at low prices.

We cannot afford, in the long run, to subsidize any production cost at a point higher than the lowest point to which our best scientific and managerial genius is able to reduce it. If we stabilize a high cost system we make modern industry at once socially sterile and financially futile.

If we are not to take the defeatist road of a drastically reduced production we shall be obliged to determine wages less and less in terms of what we can contrive to buy the time of workers for and more and more in the terms of how much of the gross income of industry must be spread out in salaries and wages in order to create an adequate market for the output of our power economy. This is not only socially desirable from the consumer's point of view, but is the only sure safeguard of the producer's interests in an age of lavish productive power.

The success of private enterprise in this power age is impossible apart from the prompt construction of an economics of plenty. The survival of political liberty will, in like manner, depend upon our devising ways and means of putting the full fruits of science, technology and power production at the disposal of the masses.

None of the experimental governments now in existence would have risen to power had the leadership of the private enterprise of the last half century proved as expert in the development of an economics of consumption as it proved in the development of technology of production. Lenin, Stalin, Mussolini, Hitler, Roosevelt and the whole gallery of political experimentalists have flowered from the soil of insecurity. I suspect that not a single one of these governments would have come to power in a national situation of peace, plenty and a psychology of security.

The masses are always more eager for security than they are enamored of liberty. They will sell their liberty at the drop of the hat to any leadership that gives promise of governing them handsomely and walling them about with a sense of security.

The mass demand for economic security will grow louder and louder. My fear is that the politicians will hear it, while the business men, industrialists and financiers will not. If that happens, we shall be in for a generation of legislation that will level the men and enterprises of the United States down to a slimy secure but

Con. continued on page 305

Wallace, *Cont'd*

agencies with flexible powers to act promptly to meet any kind of crisis, Congress did more to protect social values threatened by drought than could have been done in any other way. It is possible for a governmental body equipped with the powers of the A.A.A. to mitigate drought's worst horrors.

The Agricultural Adjustment Act is an adjustment act, not merely a reduction act. Reduction was the first aim because surpluses had accumulated. Most of these surpluses will be down to normal by next summer. That will call for a new attack; and perhaps advance a march toward stored surpluses for lean years and insurance of a continued and stable food supply. I hope also that with explosive crop surpluses out of the way, not only in this but in other countries, we shall find ourselves in a better position to reorganize farm production on less cramped and denying lines; to lower tariffs, and to resume world trade.

Three million farmers have signed adjustment contracts and are cooperating through their own county associations to stabilize production. A million more are working cooperatively under marketing agreements and licenses.

They do not have to face bare-handed and alone the cruelties of drought. They do not have to engage in ruthless competition with one another or abandon themselves to jungle economics. They do not have to look forward to another sequence of bubble and collapse.

Instead, with the Adjustment Act, the farmers have the machinery to control their own affairs. They have the instrument for careful and intelligent planning for the future. With their county associations, they have the means to play their own individual part in shaping and operating all programs. They can call upon the centralizing power of the Government to help them in their collective efforts.

In short, they may look with confidence toward increasingly stable and enduring prosperity, and to all that means not only to themselves but to the whole nation.—*Extracts, see 8, p. 320.*

by U. S. Representative Marvin Jones,
Texas, Democrat

Chairman, House Committee on Agriculture

BEFORE the beginning of the "new deal" program the prices of farm products were the lowest and most unsatisfactory they had been in nearly half a century.

Banks were closing by the thousands. Mortgages were being foreclosed by the hundreds of thousands on the farms and in the towns and cities, and millions of blame-

less people were shuffling in the bread lines. The total farm indebtedness amounted to \$12,000,000,000. Interest and taxes were delinquent, and ruinous surpluses overhung the market.

The "New Deal" Congress passed the Agricultural Adjustment Act, the Farm Credit Act, the Crop Production Loan Act, the Cattle Purchase Act, the drought-relief measures, and others.

Representatives of practically every major farm organization in America, as well as many individual farmers, were present when the principles of the legislation were agreed upon, and are consulted frequently in administering the program. It is truly a farmers' program.

The pre-war period of 1909 to 1914 is considered a normal period in which the prices received by the farmer for his products were at a proper ratio to the prices he had to pay for the products it was necessary for him to buy.

At the beginning of the new administration the farmer was receiving only 50 per cent as much as he received in pre-war times.

The average price of wheat on the farm in December, 1932, was thirty-one cents per bushel.

The average price of wheat on the farm at the present time is seventy-nine cents per bushel. For the first time over an extended period, domestic wheat prices have been materially above world wheat prices.

If he takes part in the adjustment program the wheat grower receives 28 cents per bushel on that part of his crop which is consumed in this country. This is in addition to what he sells his wheat for in the open market.

The farmer was receiving for corn, in December, 1932, nineteen cents per bushel. He is receiving 56 cents per bushel at present.

The price received by the farmer for cotton in December, 1932, was five cents per pound.

The cotton farmer receiving today eleven cents per pound.

The cotton farmer receives an additional 4½ cents per pound on that part of his cotton consumed in the country if he cooperates with the program.

The price received by the farmer for hogs in December, 1932, was \$2.73 per hundred pounds. This was the lowest hog price in more than 50 years.

The farmer receives over four dollars for hogs today.

In addition to the increased price he receives an additional amount, which is about \$2.25 per hundred pounds, if he takes part in the hog program.

The average price received by the farmer for milk products in March, 1933, was \$1.10 per hundred pounds. The latest figures show him now to be receiving \$1.47.

The President has shown great interest in the farm program, in fact, it is largely the program which he fashioned.

He has repeatedly stated that he is determined that farm prices shall be restored, and that although some mistakes will be made, these will be corrected and the efforts continued until the balanced condition is gained and the purchasing power of the farmer restored.

Pro continued on page 306

Frank, *Cont'd*

uninspiring and, in my judgment, ultimately unproductive life even for the masses. I refuse to believe that we are doomed to the destiny of fairly well clothed and fairly well fed helots of a standardized state. And yet it is to just this that political pressure from the masses will drive us unless business and industrial leadership promptly and effectively develops a workable and widely effective economics of consumption.

I want security for all as ardently as any Stalin wants it; but I want it in terms of a civilization that knows how to correlate security and freedom. I want to will to my son an America in which a great economic leadership has boldly recast its economic policies for the distribution of wealth to reflect its technical processes for the production of wealth. In such an America security for all will not mean ironing the life of the nation down to the drab sameness of a Shaker village. Security for the masses is not incompatible with high adventure and high prizes for exceptional genius.

We must be careful lest our programs of stabilization turn out to have been processes of sterilization. To play down our productive powers may well result in a stabilization of want rather than a stabilization of welfare.

The productive energy we have generated can, under an economics of plenty, be mankind's hope. Under an economics of security, it may prove a hangman's noose.

Scientific and technical leadership have abolished the physical necessity of poverty in the United States. It remains for politics and economic leadership to abolish the social fact of poverty and its milder manifestation of underconsumption. All the necessary tools are in our hand for emancipating the race from poverty, drudgery and insecurity. If now we fail to effect this emancipation, we shall go down in history as traitors to the tools of our own creation.—*Extracts, see 10, p. 320.*

by Neil Carothers

Professor of Economics, Lehigh University

ISEE by the papers, as Mr. Dooley used to say that on the first Saturday of this month two little teams from the languorous South came up into the hardy North to play football with those virile young men the invigorating Northern clime produces. And when the day was over the indolent scions of an effete aristocracy had flattened the vigorous young men of Purdue and routed Notre Dame's fighting Irish. On the very same Saturday a world championship was being played in another sport, and the best players on one team were two gentlemen of the old South, the Messrs. Dizzy and Daffy Dean, while the most adequate player offered in rebuttal by the other team was another Southerner rejoicing in the name of Schoolboy Rowe. Before this there was the

little five-man track team from Louisiana that ran over the mighty athletes from the great open spaces of the West. And before that there were Bobby Jones and Ty Cobb and many another.

But these Yankees up here still see us as ante-bellum anachronisms sitting around under the magnolia trees drinking mint juleps and calling each other "you all." They simply will not recognize the fact that we have gone Yankee and become go-getters, real butter and egg men like Brooklyn's. They have heard about the "changing South" and the "industrial South," but they do not believe it. You can tell them about the tall buildings in Dallas and the vast industries of Birmingham and the great mills of North Carolina, but they still believe that we sit on the front porches and let the colored folk do the work. They never will understand that we have adopted all the fine old Northern customs, including plus fours, municipal corruption, contract bridge, high finance, divorce mills, traffic jams and subsidized athletes.

There is a reason for the failure of these clever Yankees to understand how greatly we have changed. It is about this that I am writing now. This is going to be a family conference, and family conferences are notoriously frank and personal. And if any of these Yankees listen in on this conference they may hear just what the proverb says such eavesdroppers usually hear.

First of all, let it be said that living up here among these descendants of Phil Sheridan and U. S. Grant has not corrupted this Southerner. He is still a Democrat. He takes pride in the fact that his people have been Southern for a century and a half and that his grandfather died in battle in a Confederate officer's gray. His family have always been Democrats, and you do not have to ask whether any member belongs to the Republican or the Democratic branch.

But let's get on with this little family conference. The reason why these Northern people think we still talk the language of Shakespeare and sit between the ancient Colonial columns with a colored boy keeping the bees off us with a turkey feather fan is our politics. They cannot believe that people as naive as we are politically can play the stock market or have country clubs.

In our politics we are still back in those reconstruction days when my kinfolk were very active but anonymous members of the Mississippi Ku-Klux. Ever since the Civil War we have been the economic victims of our political prejudices. No wonder Miss Frances Perkins was under the impression that we go barefooted.

This is no time to discuss the deep-lying causes of this situation. They go back to the cotton gin and slavery and Alexander Hamilton's first tariff law. We have simply never been able to separate our politics from our economics. And we have been, in the crisp vernacular of our Northern centers of culture, taking it on the chin for 75 years.

The North is predominantly Republican and the South is predominantly Democratic. When there is a Republican administration the South is on the outside, looking in. When a Republican administration does not suit the Republicans, they very promptly turn in and help

Con continued on page 307

Jones, Cont'd

Many fairy stories have been told and rosy promises have been made, but this is the first time in many years that any actual results have been obtained for the farmer.

Many of these measures are temporary, but such as prove wise and effective will probably be woven into the permanent program.

The curtailment program is not intended to reduce our production of farm products to our domestic needs. A continuing supply is essential and world markets are vital to the farmer as well as to the business man.

The purpose of the curtailment program is to reduce the overwhelming surplus which had hung over the market for years and had wrecked prices for the farmer. At the beginning of the program there was enough cotton in the carryover to supply all of the needs of this country and the foreign demand for American cotton if we had not grown any cotton whatever in this country for a whole year.

It was intended that we should at all times produce all of these products which the world market would absorb. It is also realized that the search for new uses and new markets for our surplus commodities is an essential part of the long-range program.—*Extracts, see 9, p. 320.*

by Chester C. Davis

Administrator, Agricultural
Adjustment Administration

INDIRECTLY, the Agricultural Adjustment program affects the business man, the man on the street, the housewife, and the laborer, nearly as much as it does the farmer himself. But because the effect is indirect I am afraid many well-informed people do not study or understand it as the farmer naturally does.

Without this fundamental understanding I can see how the most intelligent of people might be puzzled when they read in the papers that farmers are receiving government checks by the millions of dollars. I can see how the most sincere of people, who had not examined the subject very far, could be led to mouth such spectacular catch phrases as "a dole to farmers dipped out of the Federal gravy bowl to be paid by our sons and grandsons," even though such catch phrases are entirely erroneous. Many of them were deliberately circulated with the idea of prejudicing the city consumer against the farm program.

In this connection, speaking of the city consumer, let me interpose this suggestion: The American farmer has suffered years of unfairly low prices. He furnished millions, yes billions, of dollars worth of food and fiber to the city consumer below the cost of production. Farm prices are even yet below parity—and I'm going to explain later just what is meant by "parity prices." In addition, this year the farmer suffered a disastrous drought. I submit that he should hardly be harassed still further by inaccurate attacks on a program that has been set up to assist him to regain his former usefulness in the economic community he served so vigorously be-

fore. The business men, the man in the street, the housewife, should see to it that they are not tricked into dangerous catch-thinking that might weaken a program designed, as it is stated in the Title of the Act itself: "To relieve the existing national economic emergency —"

Besides, as I mentioned above, the farmer's program is a national program. Fluctuations in agricultural purchasing power have always been accompanied by corresponding revivals or depressions in business. History shows that this interrelationship is a normal phenomenon. A few hundred million dollars placed in farmers' hands seems to have a greater significance in terms of promoting city prosperity than money placed anywhere else. There is an especially close relationship between farm income and factory payrolls. They both ranged between 10 and 12 billion dollars annually from 1923 to 1929. Both fell together to some 5 billion dollars in 1932. Both have come back together.

But since the business man, the housewife, and the laborer probably have not studied the Agricultural Adjustment program thoroughly I propose to get clear back to some first principles. I mention this now in case my discussion should seem to some to be too simple, too elementary.

All right, what about the paradox of surplus food supplies and heartbreaking breadlines at the same time? Do we have a surplus anyway? What is "parity price"? Where does all the money come from to pay these millions of dollars to farmers?

First, let's go back just a little way into history. Not far, because I'm going to keep this from becoming involved.

For four or five years just before the World War—from 1909 to 1914—we enjoyed a national economic harmony. Most of the instruments of our economic life, such as agriculture and industry and labor and prices and exports, were nicely attuned.

The farmer, for example, took his wheat or hogs or cotton to town and got a fair price in terms of money. Not only that, but he could buy at a fair price what he wanted to bring home for his family to enjoy. Consequently he felt encouraged to buy freely of the goods that busy labor in busy factories made. He was also encouraged to grow all that nature and the efficiency of that day would permit. If he produced more than we could consume here in the United States it was sold abroad. Not much difficulty about that, for Europe was our creditor then and we were the debtor nation, and of course we relied on sales of exports to pay interest.

Not that that was agriculture's golden age. The farmer has had better days than those. But the whole national economic balance was so nicely struck that the period of 1909 to 1914 has come to be known as the parity period.

The Agricultural Adjustment Act is designed to restore and maintain that same balance in America again. We are trying to sound again the lost chord of that pre-war harmony.

Now, while we are on simple fundamentals let me introduce an explanation of the term "parity price" that you hear so much today.

Pro continued on page 308

Carothers, *Cont'd*

the Democrats elect a Democratic administration; and then they see to it that the administration does those things they want done. And the South is still on the outside looking in. All we want to know is that it is a Democratic administration. We never question what it does. The one thing that interests us is that at last we have got those Republicans out.

This has been going on a long time. We are now presenting the most striking illustration in our history. We are still shouting for every experiment coming out of Washington, not because it is a good thing, but because it is Democratic. The spectacle of the Solid South waiting for the next juggling act without the faintest idea as to what it will be, and then applauding wildly, is a sad thing. I have a fox terrier that barks every time the radio is turned on, and while his enthusiasm is admirable, his discrimination is deplorable.

This particular Southerner is much more concerned with the welfare of his people than he is with the political label attached to Government measures. As a serious and unprejudiced observer of the something-new-every-morning, let's-try-it-anyway school of government, he can not see that a single measure of the whole recovery program has helped the South. Some of them are gravely injurious to the South.

Recall the President's re-employment agreement of a year ago. That weird document required that every employer, North and South, pay every worker in industry or trade a minimum of \$12 to \$14 for a 35 or 40 hour week. How long would Southern business, already stagnant from depression, have lasted if it had been forced to live up to it? The only word I ever had as to its economic results was a report that after the colored workers of Georgia heard about its terms they bought all the second-hand Fords in the State—on installment.

Nobody recognizes more clearly than I do the desirability of higher wage levels in the South. We need higher wages and what comes from higher wages—human betterment in comfort, education, literacy, ambition and opportunity. The best prospect for higher wages in the South seems to me to lie in a free and unrestricted development of industry, very much without an N. R. A. Nor is this any thinly disguised approval of all the labor conditions in the South. The mill owners of our region may as well reconcile themselves to collective bargaining here and now. Labor in the South is of Anglo-Saxon stock and it is going to organize, with or without aid from Section 7a. The South insured just this outcome when it united, very properly, on restricting immigration.

When we come to our agriculture problem we encounter tragedy. Cotton has been the bulwark and the burden of the South since Eli Whitney. It was cotton and a New England tariff that caused the Civil War, much more than slavery. Agriculture always suffers greatly in depression, and a one-crop agriculture most of all.

Slowly but surely we are ceasing to be a one-crop area. The center of production of cotton has long since moved toward and even across the Mississippi. The good old Southern State of Oklahoma, created in 1907, now

produces almost as much cotton as the two Carolinas combined. But cotton is still the foundation of our economic life. And the market for cotton is governed by inexorable economic laws. In time of feverish prosperity the world will take 15,000,000 bales of our cotton at a 20 or 25 cent price. At the pit of a world depression it will take 10,000,000 or 12,000,000 bales at a price of 5 cents. And the South is prostrated by 5-cent cotton.

At first glance a proposal to obtain a reduction in cotton production by Government action appears attractive. The farmer, with no other means of living, in debt to his bank, goes on producing even though his prospective market will not pay his costs of production. If, by some sleight-of-hand, Government can restrict production and if the consequent rise in price is greater than the reduction in output, you are better off.

If this could be managed by mere suggestion, it might be a fine thing. Even this is not certain. But it cannot be done by suggestion. You will recall the reign of terror in the tobacco regions in the "night rider days." The hard-pressed tobacco producers thought they would reduce output by voluntary restriction. What they got was terrorism, arson, murder and economic loss. You certainly remember the egregious failure of the Farm Board's scheme to maintain cotton prices by withdrawing supplies from the market.

No scheme for restricting production by persuasion has been devised or will be. To get results you must use some material force. Every crop reduction scheme that has done any reducing has required either bribery or taxation or suppression by force. The A. A. A. and the Bankhead act manage to employ all three. First they pay the farmer to reduce acreage or destroy cotton; then they tax the American people, including the Southerners, to pay for these gifts, and then they establish a punitive tax on the farmers who produce more than the scheme calls for.

There is no denying the fact that cotton has gone up in price since 1933. So has everything else. How much of this increase has come from the A. A. A. no man can say.

A part of the rise is undoubtedly due to that recovery which is taking place everywhere, although somewhat more rapidly in countries not enjoying a New Deal. A part of the rise is undoubtedly due to the debasement of the American dollar in foreign markets. A part is due to the decrease in production, forced by depression, which the farmers have brought about quite independently of the A. A. A.

When the depression came in 1920 the South very promptly dropped the production from 13,000,000 bales to 8,000,000 bales. If the foolish Farm Board policy had never been and the A. A. A. had never been thought of, the Southern farmers very probably would have, long before this, solved the problem of overproduction, as they have in every depression in our history.

Whatever is left of the price rise after these deductions is undoubtedly due to restriction of production due to the A. A. A. and the Bankhead law. Whether we have gained or lost by the transaction is beyond determination.

Con continued on page 309

Davis, *Cont'd*

During the parity period a wagon load of wheat, for example, would buy a certain amount of industrial products, goods the farmer buys. When a wagon load of wheat will buy that same amount of goods again, then—and not until then—will wheat have reached parity price. The present parity price of wheat is about \$1.11. If wheat were selling at \$1.11 at the farm instead of 88 cents, the wheat grower and the world would once more be exchanging their respective wares on the same basis as during the parity period. Until wheat reaches parity the farmer is at a disadvantage on every trade he makes compared with his position before the war. That means less goods for the farmer to consume, less goods for labor to be employed at making. For years industry manufactured and furnished to the farmer less than a fair exchange—sometimes half or less than half.

But to get back to our history.

The war ended this period of balance. Europe needed wheat and cotton and beef and pork. Prices rose. Our farmers responded. In the emergency they plowed up some 40 to 50 million acres of grass and pasture. It might still be in grass and pasture today except for that immediate, temporary emergency that arose and then passed away.

At about the same time, the gasoline engine, the truck, the tractor and the automobile developed, displacing horses and mules. Lost, with these departed horses and mules, was a market for the products from some 35 million acres of land.

Then we lost our foreign markets. I won't elaborate on that. The figures alone are sufficient.

Our pork exports, for example, declined during the ten-year period ending in 1932 by the equivalent of more than 8 million head of hogs a year. That is two-thirds the annual production of the whole state of Iowa, the biggest hog producing state in the Union. That was a big order to lose.

Our wheat exports had averaged around 200 million bushels a year, sometimes as high as 300. Last year we could export only about 30 million and had to subsidize a part of that. Europe had imposed prohibitive tariffs and import restrictions that all but completely shut our market off.

And so it went. The value of our total agricultural exports ten years ago amounted to some 2 billion dollars a year. Last year it was less than 700 million, little more than a third what it was ten years ago, a loss of a billion and 300 million dollars worth of agricultural market.

It was inevitable, of course, as we look back on it now. During all of our national history we had been a debtor nation and we exported agricultural products to Europe accordingly. Our economic program was to sell, in recognition of our economic condition as a debtor nation. Then at the close of the war our economic condition underwent a complete reversal. For the first time in our history we were no longer a debtor nation but a creditor nation—and the greatest creditor nation modern history has ever seen. Our economic condition had completely reversed but we made no conscious recognition of it in

our economic program. We expected to continue to sell, without buying in return.

We did not give our debtors a chance to pay their debts as we had paid our debtors. They could not buy from us because we would not buy from them.

Now, it is pleasant to contemplate what our situation would be if we could get our foreign agricultural market back again. But in the grim meantime we must recognize the fact. We have put grass and pasture land into cultivated crops, for which the market has gone. The Agricultural Adjustment Administration suggests that these acres be changed back into grass and pasture until an effective market for the cultivated crops appears. The Act has made possible a cooperative and voluntary effort on the part of some 3 million farmers which is accomplishing this change in land usage. How long will this be necessary? When we buy from abroad so that we can also sell abroad, then we can relax to just that extent the practice of production control.

In the meantime, to go back to the history I have been reviewing, the creation of oversupply was inevitable. Extra acres brought into cultivation, lost uses for our feed grains, lost foreign markets—one of the results was unprecedented supply, the largest ever recorded. And the corollary result was unprecedented prices, the lowest ever recorded.

There were many other results. That tragic chapter in the history I have been reviewing is still so fresh in our minds that I need not describe it now. Into that chapter came the cruel paradox of bulging granaries and ragged breadlines. With the whittling down of agricultural purchasing power came idle factories and the forced draft into the army of the unemployed, a conscription of our man power into a growing army of unfortunates. It was an unhappy regimentation indeed for thousands of our most rugged citizens.

The farmer was not to blame for the breadlines and the need and want that existed in the land. He had done more than his share. He had furnished to a hungry world the largest supply of wheat on record and he had offered it at 27 cents a bushel, far below cost. But his crop, in the resulting disparity, bought so pitifully few of industrial goods that factories running at half-capacity could easily supply the effective demand. Despair came with disparity.

Under the rules of this economic system there was just one thing for the farmer to do. I want to say to those who may have pointed the finger of shame at the farmer for finally cutting his production after he had a surplus piled on his counter with bargain price tags attached, that industry set the farmer an example.

Department of Commerce figures show that during the period 1929 to 1932 the automobile industry cut down its production—its acreage if you please—by more than 70 per cent. Iron and steel—raw materials like wheat or cotton—cut down production by more than 70 per cent. Textile production—and destitute people were needing clothes—cut down production by more than 50 per cent.

During that same period agriculture reduced production by less than 5 per cent. Industry had a means of

Pro continued on page 310

Carothers, *Cont'd*

We produced 13,000,000 bales last year and sold it at about 9 cents. If we produce 10,000,000 bales this year and it sells for 15 cents, there is a material difference in total returns, to be ascribed to all the various causes already enumerated.

There are some heavy deductions from this profit. There is first the direct levy on the whole country to pay for the cash gifts, options, rentals, processing taxes and other prizes in the Government's great gift package for the farmers. Then there is the rising cost the whole country pays for every commodity containing cotton. There are quite a number of such commodities.

These are the immediate costs. There are some remote costs. Reduction of output throws men out of work. Tenants, field workers, pickers, ginnermen, the banks, the railways, on through the long economic chain of men who sell and handle cotton—all these lose work. The reduction in acres is naturally in the poorer marginal areas, and these require proportionately to the output a larger number of workers. What relation there is between the restriction of cotton and the enormous outlays for relief in the Southern States is undeterminable. It must be freely admitted that if the A. A. A. has actually brought more money into the South than it otherwise could have obtained, the South as a whole has benefited. But it is equally true that if the benefits have gone chiefly to a group of owners of the superior lands, the workers to some extent have gone on the dole.

Some of the withdrawn acres are converted to the production of food and foodstuffs and animals. The immediate result is to intensify the depression in the Northern grain and animal areas. This calls for more relief in that territory, and we have a new game of economic ring-around-the-rosy, with the cotton A. A. A. requiring further development of the A. A. A. for wheat, corn and hogs, with rising costs and reduced consumption and bigger deficits in one grand demonstration that there is more in this situation than we ever dreamed of in the philosophy of economic planners.

And then there is the final cost in the loss of our cotton markets. There are 70 countries that grow cotton, and a small number that grow a great deal. For many years we have grown not far from an average of 15,000,000 bales, the rest of the world about 10,000,000. Last season we produced about half of the world crop of something over 25,000,000. This season, while we are growing 10,000,000 bales, our rivals are producing somewhere between 12,000,000 and 14,000,000 bales. The economic meddlers have finally managed to destroy our command of the world market in our greatest export commodity. This is just what happened to us in the Civil War. We recovered from the Civil War after a while. Whether we can recover from the A. A. A. is another matter.

In any event, our Government is Santa Claus over a much wider area than was originally intended. We present today the slightly ludicrous spectacle of a nation straining its reduced resources to raise cotton prices and increase cotton markets for every cotton-growing country in the world. The press reports that our Undersecretary of Agriculture is in Europe to find out what other countries are doing and thinking about agriculture. He

will find out that they are not doing what this country is doing. If he finds out what they are thinking, he will be shocked. The European countries that own cotton-growing colonies will probably bestow on him their highest decorations.

And finally, there is our monetary policy. This is a bigger thing than the interest of the South or any other section. But today we are concerned only with the South. The country has embarked on a confused policy of debasement, devaluation and inflation, through three forms of manipulation, dilution of bank reserves, debasement of the gold coinage and adulteration with silver. The objectives of all this are to force recovery by an artificial rise in prices, to relieve debtors by means of cheaper money and to stimulate export trade through a lowered exchange value of the dollar. By this time almost everybody but Prof. Warren and Senator Thomas realizes that this sort of thing brings not recovery, but stagnation of investment; that it does not relieve the poor debtors who have long since lost their all in depression, but greatly benefits the rich stockholders and the speculators and creditors who have been steadily absorbing property during the last five years, as well as all those foreign debtors who have refused to pay us what they owe.

The South's special interest is in the export side. Devaluation gives a temporary boost to export products. The effect is narcotic—that of a temporary stimulant like Tennessee moonshine. Temporarily, devaluation means that the foreigner can buy with his money about 70 per cent more of our cotton. Actually he does no such thing. Cotton has an inelastic demand in the first place, and other countries are forced to dispose of their cotton on lower terms in the second place. What actually happens is that devaluation eventually raises the price of cotton. But devaluation likewise raises the price of all foreign goods by the same amount. Devaluation simply raises the tariff on imports. If you think this helps the South in the long run, somebody has been misleading you. A hundred years ago South Carolina was threatening to secede because of tariff laws that did not compare with this disguised Democratic devaluation tariff.

Of course, the whole monetary policy is self-destructive from the standpoint of our foreign trade. Its immediate effect is to discourage imports and stimulate exports. But its main purpose is to raise domestic prices, and it is undoubtedly true that if you keep pumping bad money into circulation prices will eventually rise. Once the inflationary process is stopped, the higher price level reverses the movement, reducing exports and stimulating imports. Our whole policy is based on one of the oldest and most harmful errors in history; the idea that you can somehow manage to sell more to foreigners than you buy from them. In the better colleges we flunk sophomores who cannot see the fallacy of this notion.

Already the failure of the first devaluation dose is evident in the propaganda for further devaluation. The South has more to lose and less to gain by the present monetary tinkering than any other section.

Just inside the family, there is another thing for the South to think about. That is this business of a lot of

Can continued on page 311

cutting down production to meet effective demand, and used its opportunity. The farmer had no such opportunity then. But under the provisions of the Agricultural Adjustment Act more than 3 million of them joined themselves together in the greatest cooperative effort in history and began a controlled, planned national effort to achieve and maintain a better balance between production and effective demand.

Now, this effort is not a commitment to the economics of scarcity. The Act is an implement not only to reduce the depressing surpluses that existed when it was passed but to establish and maintain a proper balance. It should maintain a level of farm production that will be ample for all our own requirements plus our probable export demands and return a fair price to the farmer.

The growth and prosperity of our country depends not on how much food we can produce. Basically, it rests less on how much food we can consume, than on our using more automobiles, and living in better houses and in wearing better clothes and in consuming more and better of practically all the production of industrial activity. It is the rate of consuming industrial goods that determines our standard of living. Give the farmer an adequate purchasing power and he will step up to his consuming rate quickly enough. He has been in need for so long that he is far behind in his buying.

Well, those are some of the reasons for the effort that was made under the Agricultural Adjustment Act to remove some of the depressing supplies of surplus commodities like cotton. At the time the act was passed we had a wheat carryover of about half a normal year's crop, a world carryover of American cotton equal to one year's crop, and a two or three years' tobacco crop waiting to be used. A part of that job of reduction has been done.

In this connection I should like to discuss very briefly the processing tax-benefit payment device that has made these control programs possible. I want to unburden any who may fear that a great Federal expense has been incurred to meet the benefit payments to farmers.

The money that is used to make the benefit payments to farmers comes from the processing taxes on the various commodities concerned. The farmers may well be proud, and some of the skeptics may be relieved, that the adjustment programs of the Triple A are self-supporting. They pay their own way.

For example, when a miller buys wheat he pays the regular market price, which the producer receives. In addition, the miller pays 30 cents per bushel, processing tax, to the government. This money is sent out by the government in the form of wheat checks to the farmers who individually agree to make the adjustments necessary to establish a balance between wheat supply and demand.

Up to October 15 there had been paid to farmers in cash 431 million dollars under the provisions of the various commodity programs. And yet the processing tax collections as of that date exceeded that amount by something like 88 million dollars. Of course, sometimes the collections are ahead of the payments and sometimes vice versa, but they are designed to balance up in the end.

These payments are simply one part of the farmer's income for his product. He gets part of his pay for his crop when he delivers the crop; he gets the rest of it later in the form of his benefit payment, if he has cooperated in the adjustment program. It is in no sense a "dole." It is simply a part of the earned income to farmers for their production, earned income paid by the consumer who enjoys the product.

Naturally enough, the consumer is interested in knowing how all this affects him. Where the cost of raw material produced by farmers is a small factor in the consumer price of the finished product, the processing tax does not greatly influence the retail price. It adds greatly to agricultural purchasing power without greatly influencing consumer's cost. The wheat tax raises the price of a loaf of bread a half a cent. The cotton tax raises the cost of a shirt less than a nickel. But the farmer's true price has tripled for wheat and more than doubled for cotton.

You may be interested to know that the estimated total farm income for the United States for this year—the most disastrous drought year in history—is nearly a billion dollars more than it was last year. It is a billion and 700 million dollars more than it was two years ago. We have to go back to 1930 to find a total farm income larger than this year's—in spite of the disastrous drought. I believe this is good evidence that the farmer is working his way back. National self-interest will be served by supporting him in his drive for fair exchange prices for his crops.

What I have been discussing is really but one phase of the general agricultural program. Much of it has been purely of emergency character. In the face of disappearing markets, meat animals on the farms had reached unprecedented numbers and prices were at the vanishing point on the farm. When drought caused a feed shortage even lower prices were in prospect, because there were more animals than could be fed. Emergency livestock purchases, the meat going to feed the hungry unemployed, were the logical alternative to a do-nothing policy. As a result, the livestock industry is establishing for itself a basis of future prosperity—and in the not very distant future at that. If now, by cooperating in their productive effort, livestock breeders and feeders can achieve and maintain a rough balance between feed supplies, market demand, and livestock numbers, both the nation and the farmers will be infinitely better off.

The Agricultural Adjustment Administration believes that a controlled production will establish a better balance between feed and livestock from year to year and prevent the necessity for such drastic and unwelcome corrective action in the future.

Helping to soften the blows of a calamity is one way to serve humanity. The Adjustment program has, in the past 18 months, done much of that.

But the real service to which this program aspires when the scars have finally healed and agriculture and industry are once more revived is to prevent these unhappy recurrences in the future. Therein is the real challenge, with the larger welfare of all our economic groups, our national economic happiness, at stake.

Pro continued on page 312

Carothers, Cont'd

college professors from the North and Republican editors and lawyers from the Middle West sitting around in Government offices and working out plans to move the Southern people around the same way they have been moving cows from the drought-stricken Dakotas. We have lived in the South a long time, through war, reconstruction and depression. The South was settled a long time before Iowa had any inhabitants but buffaloes and when the ancestors of our most favored economic planners were living in south Russia. Our section is the last great stronghold in America of that English stock that made this country and gave it its laws, its religion, its customs and its hitherto unconquerable independence of spirit and love of liberty.

We are working out our own destiny in the South. South Carolina's cotton land may be pretty well burned out, but it strikes me that if South Carolina people want to grow cotton on that land no outsider should come in and tell them to move out. South Carolina does not appeal to me as a national park, even with a belt of trees. I hear that when the T. V. A. wanted to move a tiny village in Tennessee to build a dam they ran into trouble. And yet a lot of theorists, all tangled up in their own bewildered nationalism, are still talking about withdrawing from use 50,000,000 acres of American land.

It may appear that the A. A. A. and the N. R. A. have been harshly judged in this little family talk. The criticism is not partisan. There is very strong support from these views in the highest Democratic circles. Note this statement about crop restriction: "We condemn the unsound policy of restricting agricultural products to the demands of domestic markets." This statement is from the Democratic platform of 1932.

Consider also this statement: "I share the President's complaint against regimentation, but unlike him I dislike it not only when it is carried on by an informal group, an unofficial group, amounting to an economic government of the United States, but also when it is done by the Government of the United States itself."

This statement was made by Franklin D. Roosevelt when he was a candidate for the presidency of the United States.—*Extracts, see 5, p. 320.*

by Gustav Cassel

Swedish Professor, Economist and Author

ACUMULATIVE growth of protectionism, inevitably entangling governments more and more into the affairs of private enterprise, must naturally very much strengthen the idea of a planned economy under the control of a single authority. It is significant that this idea, which hitherto has been entertained almost solely by theoretical Socialists without any close contact with the

business world, is now gaining ground in wide circles, formerly strongly opposed to any form of Socialism and sincerely supporting a social order based essentially on freedom of private enterprise. This means that a most important and far-reaching result of centuries of economic thought and practice is lightly thrown away as valueless. I refer here to the central point of economic liberalism, namely the idea that Authoritative Planning, which the mercantilists had considered an unquestionable necessity, could be dispensed with and replaced by the automatic function of free competition. According to liberal ideas, social economy should be directed by an automatic formation of prices. This price formation process, however, could fulfill its function only if it was left free from arbitrary interferences, that is to say, if prices were allowed to be determined by the natural play of supply and demand. In such an economy all factors of production would be forced to cooperate for serving the needs of the community, and their conflicting aims would have to be adjusted to the necessary equilibrium of the whole economy. There was nothing arbitrary in this process. Every commodity and every factor of production had to find its own natural price and thereby its own subordinate place in the great process of social economy. It is fundamentally on this liberal idea that we have built up our present civilization. And it ought at least to be regarded as a very serious thing to give up an idea that has been of such immense value for the economic progress of the world.

This is, however, what the present protectionist movement is doing. It leads to so much interference in the process of free price formation that this process cannot any longer fulfill its function of maintaining the necessary equilibrium in the social economy.

The problem of establishing such an equilibrium must however be solved. Believers in planned economy usually simplify the question by assuming that such an economy should be under the leadership of absolute knowledge and reason and thereby be raised far above the petty troubles of the old-fashioned social order. The leader of a planned economy will, however, in actual practice find himself confronted with an infinitely greater number of problems and complications than anybody could imagine when constructing that planned economy at his writing table or agitating for it by means of popular simplifications. This is why a planned economy cannot avoid committing a series of mistakes which require corrections, mostly involving new mistakes. In this respect, recent experiments in planned economy, e. g., in restriction or encouragement of cultivation of land, have given so many lessons that the idea of planning ought by now to have lost most of its earlier attractiveness, at least in the eyes of unbiased observers.

I shall not worry you with examples of the many appalling mistakes and contradictions continually displayed by so-called planned economies. But I want to draw your attention to the almost complete lack in most of them of any rationally conceived plan for the management of one of the most central problems of social economy, namely the division of income between saving and consumption.

Con continued on page 313

We have passed out of our grandfathers' day of the pioneer, self-sufficing farm. So, too, we have left behind the stage of the developing new nation, paying with export of raw materials, the cost of our development. Whether we like it or not, we find ourselves in a world of nations striving for self-sufficiency. Our adjustments to the new and unyielding conditions will not painlessly make themselves. Nor is there any magic or legerdemain in Washington or anywhere else that will do the job. I sometimes wish there were.

The stubborn facts we face challenge the genius of American citizenship. The quick and sometimes crude methods of adjustment which we have been following can, with national cooperation, be softened out into a continuing agricultural policy which, in its fundamentals, should not be the subject of partisan dispute.

This has to be a national plan. It belongs to the people in millions of American homes. They can, if they will, keep it on the national scale, above the realm of group or class attack, above the realm of political attack, above the realm of human selfishness. Then it can be shaped to serve them without fetters, for the common national good.—*Extracts, see 4, p. 320.*

by Mordecai Ezekiel

Association Director, Planning Division, A.A.A.

THE reduction phase of agricultural adjustment is now largely behind us. It constituted the first emergency attack on the agricultural problems which had resulted from the mistaken economic policies during the preceding decade. The drastic steps of ploughing under cotton and slaughtering pigs might be likened to the actions of a fire department which does not hesitate to break windows and destroy paint in order to put out the fire.

The first emergency reduction efforts to correct the surplus situation have now achieved their result. Excess carryovers have either been eliminated or have been greatly reduced; production of the basic exportable products has been brought in line with consumption; and farm prices have been brought much nearer to parity. Farm income has been increased steadily for the last two years until now it represents nearer its normal share of the total national income.

In wheat, the drought shortened the period necessary for eliminating the excess supplies. In addition to our own reduction in acreage, the cooperation of other important wheat-growing nations was secured through the International Wheat Agreement. In 1934 a net reduction of 10.7% was secured in our seeded acreage below that of the three preceding years. In the other three major exporting countries, Canada, Argentina, and Australia, acreage was reduced 9.2%. Of the major European importing countries, France and Italy carried through definite programs to restrict wheat acreage, and

secured parallel, though smaller, reductions in production. In wheat, therefore, the adjustment program in this country has been supported by a parallel adjustment program throughout the world. Partly as a result, the world carryovers of wheat by the end of this season will show material reductions, and although still large, will be much nearer normal proportions. It is true that wheat exports under the Agreement were not controlled as effectively as it was hoped they would be. Even so, the world-wide reductions in acreage were very worth while.

The International Wheat Advisory Committee, which meets regularly to discuss the progress under the Wheat Agreement, is meeting at Budapest in late November to consider plans for continuing international control of production in 1935.

Farm income from wheat increased from 195 million dollars in 1932 to 365 million in 1933, or 88%.

In cotton, the world picture is not quite so satisfactory. Through drastic reductions in this country, our production has been held down so that excess stocks of American cotton will be materially smaller by the end of this crop year. There was no international agreement to secure the cooperation of other countries, and our own reductions have been accompanied by some increase elsewhere. The supply of American cotton this season is now 6 million bales lower than it was two years ago, while the supply of foreign cotton is 1.6 million bales larger than last year. Foreign increases have thus cancelled about $\frac{1}{4}$ of our reduction. The acreage increase in some countries, such as Egypt, represents a rebound from previous reductions in acreage; the production increase in some countries, such as Brazil, represents exceptionally favorable weather conditions. A recent careful survey by the Bureau of Agricultural Economics indicated that there probably is not potential acreage available to permit a continued increase of foreign production at as rapid a rate as during the last two years. Even so, if other countries which produce cotton could be brought into agreement along the line of the wheat agreement, our own program would be more effective.

Farm income from lint cotton increased from 424 million dollars in 1932 to 801 million in 1933, or 89% increase.

In hogs our production has now been reduced to a point where the loss of the foreign market is fully offset. In fact, the drought, through reducing the supply of feed, has resulted in a materially greater reduction in production than would have been desirable, and than contemplated by our program. The great problem here will be to prevent the relatively high hog prices and the very cheap feed grains which normal crops next year might produce, from causing an extreme swing-back in the hog cycle to a surplus of hog products.

Farm income from hogs increased from 548 million dollars in 1932 to 619 million in 1933. As it was only recently that the production control in hogs really began to affect market supplies, it is too early to measure the full effect of hog control on farm income.

In tobacco, control of acreage has resulted in a marked improvement in the supply position, and at the same time,

Pro continued on page 314

Cassel, *Cont'd*

Under former conditions this division was determined by the aggregate of voluntary savings of free individuals. As a matter of fact this process of saving was one of the most stable elements in the economy of the individualistic society, and the consequence was a continual economic progress of a most remarkable steadiness, a rate of progress of about 3 per cent per annum characterising Western civilization, as a whole, through several generations. On the whole, production adapted itself fairly well to this disposition of income and, accordingly, was divided up between capital goods and consumers' goods in corresponding proportions. There were of course in this respect some temporary maladjustments causing depressions and crises, but the healing forces of economic freedom usually restored equilibrium in a comparatively short time.

Planned Economy has to solve the same problem, but, as the advocates of authoritative leadership have seldom given any serious thought to it there is no distinct plan for handling this most important task of social economy.

Soviet Russia began with a so-called Five-Year Plan involving an increase of capital at a rate far above anything ever conceived by a so-called capitalistic society. Such an economy is of course possible only when consumers are starved; and in Russia, as we know, they were starved to an incredible degree in order that the planned economy should get means for the most gigantic constructions and an unparalleled development of the country's resources along capitalistic lines. Now the Russian authorities seem to have found that they have gone too far in this direction, and at present they are elaborating a new plan which is said to break radically with the former plan, the purpose being to give more attention to the consumers' needs. Such radical alterations in the guiding principles of the authoritative economy correspond to the common crises of the old capitalistic society, but surpass them immensely in severity.

It is one of the most noteworthy paradoxes of economic history that capitalistic America, when it turned to Planned Economy, should devote its interest mainly to the consumers, and that the Roosevelt administration should do everything in its power to raise the standard of consumption of the American people, whereas the growth of capital was neglected, not to say treated with hostility. In the long run such principles of economy are naturally incompatible with a stable rate of progress, and, therefore, we shall probably see America, just as Russia, turn to a radical change in her economic policy—only in the opposite direction.

These observations prove the complete lack of a well-considered plan as to a rational division of income between saving and consumption. But a planned economy without any definite plan for its annual increase of capital is in reality no planned economy at all. It is a pure illusion that the experiments hitherto made in planned economy have brought society a single step nearer to rationalisation than it normally was in pre-war days. In essential points the results are absolutely in the opposite direction.

In regard to international equilibrium, planned economy has shown the same lack of insight and efficiency. We have found that equilibrium in international trade

can be attained only if the rates of exchange between the different currencies are brought to correspond, at least roughly, to the purchasing power parities of these currencies. Under the rule of the old gold standard, combined with a certain freedom of trade, this correspondence was realized automatically. Now, as an international gold standard system has practically ceased to exist, and as we can hardly reckon with its restoration, the only way to achieve a stabilization of exchanges is to fix definite parities between different paper standards. As however, the true purchasing power parities can never be ascertained with any exactness we must be satisfied with a legal fixation of normal rates of exchange, approximately in accordance with the true purchasing power parities at the moment of stabilization. Once a fixation has taken place, prices, wages, costs of production, and indeed, the whole national economies, will have to adjust themselves to the new normal rates of exchange, which therefore will come to represent more and more closely the actual purchasing power parities and to become a more and more reliable basis for international economic equilibrium.

This is the only way out of the present muddle. Theoretical discussions about the true price levels on which the calculation of purchasing power parities should be based will never lead to any result. This is the more obvious as the conditions of international trade are continually changing, and completely lose stability in the absence of any fixed rates of exchange. Under such circumstances a true equilibrium is never attained, not even approximately, and all endeavors to calculate "correct" rates of exchange are necessarily vain. Stabilization must begin with a fixation of certain reasonably chosen normal rates of exchange, forcing the different countries to adjust their economies to a certain international equilibrium. The simplest way to calculate such rates is to use the existing index numbers of wholesale prices. The objection that these figures do not adequately represent all elements that have to be brought into equilibrium is irrelevant to the practical problem we have to solve. The other elements will simply have to adjust themselves to the normal rates of exchange when these have been fixed once for all. But of course we must choose our rates so that the difficulties of later adjustment are reduced to a minimum.

There has been much talk, particularly in connection with the London Conference in 1933, of a gradual restoration of an international gold standard system by a tentative fixation of new gold parities which should be regarded as provisional. As far as I can see, there is no hope of solving the problem in that way. If a rate of exchange is regarded as provisional there will always be speculation in anticipation of future changes, and the economic conditions of the countries concerned will never have to face the imperative necessity of adjusting themselves to definite normal rates of exchange. The all-important thing is to bring about such a pressure.

If there really were anything worth calling a Planned Economy, this would be the first thing it would have to care for. In such a regulation of the system of money the State has a natural function that cannot possibly be fulfilled by private action. But, as a matter of fact,

Con continued on page 315

Ezekiel, *Cont'd*

improved world economic conditions have led to some increase in exports. Marketing agreements with manufacturers, made possible by the planned control of production, have helped return much better incomes to tobacco farmers. Farm cash income from tobacco increased from 104 million dollars in 1932 to 179 million in 1933, or more than 67%. The continued improvement in the tobacco situation indicates still further increase in income for 1934.

These readjustments represent the major emergency activities in those products where vanished foreign demand had piled up great surpluses.

In other phases of agriculture different programs were needed. In the dairy field marketing agreements have been used to help restore the structure of price relationships between producers and distributors which the co-operative marketing associations have gradually built up over a period of years. This marketing structure had been broken down in many milksheds before the A.A.A. came into operation. This phase of our program has raised many difficult problems as to a fair balance between producers of fluid milk and those farmers whose milk goes into the manufacture of dairy products. Many different systems of operation in the fluid milk markets have been tried out in various cities, and out of this experience it may be expected that new dairy plans will gradually be developed, aiming to be fair alike to producer, consumer, and distributor.

In fresh fruits and vegetables, the difficulty was not with foreign demand, but rather with the reduced purchasing power of domestic consumers, and with the maintained freight rates and other costs of marketing. In this field marketing agreements have been developed, particularly for the commodities which were in the most difficult situation. These marketing agreements have tended to reduce fluctuations in supply and price. The risks which marketing agencies have to undergo have thus been lowered and many marketing costs due to the speculative nature of the business can now be eliminated. In addition, uniform grades and standards have been introduced much more widely than before. As a result, many unfair discriminations have been eliminated, and the general quality of the product has been materially improved. In most of these agreements the control of marketing is directed primarily to the regulation of supply so as to prevent excessive gluts between markets and between different periods of the marketing season. In other cases, as notably for canned peaches, citrus fruits, fresh asparagus, etc., methods have been developed for holding back from the market excessive supplies. In most cases the excess is diverted to by-products or for use for relief purposes.

The importance of such diversion of excess supply to other uses may be illustrated by data from the citrus industry. For the 5 years prior to 1932, consumers paid on the average \$7.85 per box for California oranges and growers received \$3.13 per box on the tree, while picking, packing, transporting, and selling absorbed the difference of \$4.72 per box. In 1932 consumers paid only \$4.75 per box at retail, returns to the farmer for fruit on the tree fell to \$1.26, while picking, packing, transporting and selling cost \$3.49. That is, retail price fell

from roughly \$8.00 to \$5.00; farm prices from \$3.00 to \$1.25; while marketing costs declined only from \$4.75 to \$3.50. With a 40% reduction in retail price, marketing costs were reduced only 26%, while prices farmers received were reduced 60%.

This is typical of what happened to many fresh fruits and vegetables during the period of the depression. Surplus supplies forced into the city reduced retail prices sharply, marketing costs fell by a much smaller proportion, and the bulk of the load was thrown back upon the farmer. Under the marketing agreements, on the contrary, it is possible to balance quantity shipped to market against what consumers can afford to pay, and to eliminate the portion of the fruit which previously did not sell for enough to pay the cost of packing and shipping. The importance of this last element may be shown by some figures for October, 1934. At the Chicago auction market during October, 27,000 boxes of Florida grapefruit sold at prices ranging from \$1.10 to \$3.50 a box. For 31% of these sales, the price did not cover the actual sales costs of picking the fruit and moving it to Chicago, \$2.07 per box. On nearly 1/3 of the total supply, farmers were actually paying for the privilege of giving their fruit away. It is this situation which marketing agreements can help to correct.

The effect which adjustment of supplies can have on farm income is shown very definitely under the California Canned Peach Agreement. Farmers received only 906 thousand dollars for the crop canned in 1932. In 1933 the crop was substantially the same size, considerably more fruit was canned, and for this farmers received more than 5 million dollars. In 1934 the quantity canned was nearly 50% larger than the quantity canned in 1932, but the crop brought farmers more than 6 million dollars. Had the large crop of 1934 been permitted to drive down prices without regard to consumers' demands, it is doubtful if farmers would have received more than 3 million dollars for the current crop. At the same time, the difference in cost was hardly perceptible to the consumer of canned peaches, as packing, transporting, and selling represent a much larger part of the cost of a can of peaches than does the raw material.

As a whole, marketing agreements have been developed mostly as emergency treatment for serious situations. Although they have materially increased income to farmers, they have only begun to make a beginning in definite improvement in marketing practices. While not so spectacular as the production programs for other commodities, material progress is being made in this field. Farm income from fruits and vegetables increased from 934 million dollars in 1932 to 1,123 million in 1933, and through September, 1934, has run 24% larger than during the same months of 1933.

In the dairy field the drought has temporarily solved the problem of excess production. At the same time it has forced a great reduction in cattle numbers, so that the problem of balancing beef production to consumption is also solved for the time being. These problems, however, are deferred rather than solved permanently. The enduring problem of the proper adjustment of beef and dairy products to consumption will still remain.

Pro continued on page 320

Cassel, *Cont'd*

Planned Economy has been conspicuously unable to master this great task and has hardly even realized its commanding importance. On the contrary, the measures taken by "planning" authorities with regard to currency and exchange regulations have only brought the world's exchanges into the complete confusion now prevailing. In this respect I need only refer to the German currency regulation with its creation of about a dozen different "marks," and to the record in arbitrariness set by recent American experiments in the control of the gold value of the dollar.

The leadership of the state in economic affairs which advocates of Planned Economy want to establish, is necessarily connected with a bewildering mass of governmental interferences of a steadily cumulative nature. The arbitrariness, the mistakes and the inevitable contradictions of such policy will, as daily experience shows, only strengthen the demand for a more rational coordination of the different measures and, therefore, for unified leadership. For this reason Planned Economy will always tend to develop into Dictatorship. The risk of such a development is naturally greatest in those countries that have suffered most, and whose people are traditionally accustomed to subordinate themselves to some form of dictatorship. Strong resistance can only be expected from countries where individual freedom has been looked upon through centuries as one of the most precious attainments of civilization and, at the same time, as a fundamental condition for its further development. But even in such countries the modern fancy for planned economy has driven people much further on the way to dictatorship than is generally recognized. Several measures nowadays taken in England go so far in sacrificing individual freedom and private rights that they would have filled an old Gladstonian mind with horror. And still there seems to be rather little of strong instinctive reaction against this progressive destruction of the ideals of Liberalism and of the principles on which the greatness of this country has been founded. The situation is the same in other countries.

The existence of some sort of parliament is no guarantee against planned economy being developed into dictatorship. On the contrary, experience has shown that representative bodies are unable to fulfill all the multitudinous functions connected with economic leadership without becoming more and more involved in the struggle between competing interests with the consequence of a moral decay ending in party—if not individual—corruption. Examples of such a degrading development are indeed in many countries accumulating at such a speed as must fill every honorable citizen with the gravest apprehensions as to the future of the representative system. But apart from that, this system cannot possibly be preserved, if parliaments are constantly overworked by having to consider an infinite mass of the most intricate questions relating to private economy. The parliamentary system can be saved only by wise and deliberate restriction of the functions of parliaments.

Economic dictatorship is much more dangerous than people believe. Once authoritative control has been established it will not always be possible to limit it to the economic domain. If we allow economic freedom and

self-reliance to be destroyed, the powers standing for Liberty will have lost so much in strength that they will not be able to offer any effective resistance against a progressive extension of such destruction to constitutional and public life generally. And if this resistance is gradually given up—perhaps without people ever realizing what is actually going on—such fundamental values as personal liberty, freedom of thought and speech and independence of science are exposed to imminent danger. What stands to be lost is nothing less than the whole of that civilization that we have inherited from generations which once fought hard to lay its foundations and even gave their life for it. What they have accomplished and handed down to us is a precious inheritance, placing upon the present generation the commanding responsibility of maintaining such treasures intact for the benefit of future generations. This historical responsibility falls with its heaviest weight on those nations that have done most for the development of freedom and for the life and prosperity of which individual liberty has played the most dominant part.—*Extracts, see p. 320.*

by Mrs. George B. Simmons

Farm Owner, Marshall, Missouri

If every man, woman, and child in our nation could have all that would be required for three satisfying meals every day for 6 months there would be no surplus. I do not see how consumption can be increased by making prices still higher and taxing the poor on the food they eat, so that, afterward, the Government can make levies upon processors of foods to get money to pay some farmers to do less work, and also to pay a lot of Government employees we do not need, to see that the farmers specified do loaf as per agreement. Any who can read market reports must know the processing tax on hogs is being paid by us who produce hogs.

The suspicion will not lie down that back of all of these strange schemes is the iron-clad determination of those in power to maintain their positions and to add unto themselves more officials who, within their walls of privilege, can help them hold and add to their personal authority.

When I hear and read of all the ways the Government offers credit to farmers, provided they will do as dictated, I want to cry aloud, "Don't you know that credit that promises so enticingly is only debt that leers and mocks and ruins on its other face?"

I still believe that what we sow we reap—only more so—that debts must be paid or defaulted upon, and to default does things to character and self-respect that leave scars that are not good to look upon.

Is a Government-dictated agriculture, with acreage allotments for those who would plant and only so many

Can continued on page 320

• AFTERMATH:—

Status of Problems Featured in
the 1934 Volume of the Digest

ROOSEVELT'S GOLD POLICY (January Number)

The Administration's gold policy remains unchanged. Among many of the recently elected Senators and Representatives there is a desire for further inflation of the currency and unquestionably vigorous efforts will be made by them during the coming session of Congress to pass inflationary measures.

The inflation question is tied in with the relief problem in the thought of many Senators and Representatives and, whether any legislation is finally passed or not, the subject is due for a great deal of discussion in both branches of Congress.

(February No., see page 318)

FOOD AND DRUGS LEGISLATION (March Number)

Senator Royal S. Copeland, New York, Democrat, who sponsored the Food and Drugs Bill at the last session, expects to introduce a new bill soon after Congress meets.

On his way through Washington to Florida shortly after the elections, Senator Copeland stated that members of his staff were at work on a new draft of a bill to take the place of the bill as finally reported to the Senate last June.

The new bill will modify those features of the former bill which appeared to arouse the strongest opposition. The details, however, had not been worked out at the time Senator Copeland was in Washington.

NATIONAL DEFENSE (April Number)

Future plans for national defense, beyond ordinary routine matters, still hinge on the outcome of the current London Naval Conference, which is preliminary to final action on the Naval Treaty of 1923, which expires in 1936.

The latest reports from London are to the effect that Japan will not agree to a continuation of the 5-5-3 ratio existing among England, the United States and Japan, but will ask a higher rating for herself, if not absolute equality.

The United States Navy is now well below the strength she is entitled to under the existing agreement and if the London negotiations are unsatisfactory to America, President Roosevelt is expected to approve a naval building program. (*See Munitions Investigation, p. 318.*)

FEDERAL SECURITIES (May Number)

THE Securities and Exchange Commission announced on November 12 that it decided to open branch offices in seven key cities throughout the country as soon as possible. It was further announced that for the purposes of administering the Securities Act of 1933 and the Securities Exchange Act of 1934, the country has been divided into seven zones, exclusive of that area which will come under the direct administration of the head office in Washington. The cities in which the Commission plans to open offices are New York City, Boston, Chicago, Denver, San Francisco, Fort Worth and Atlanta. Each office will be under the direction of a regional supervisor who will report directly to Washington. The composition of the various zones may be generally indicated as follows:

Zone 1: New York, New Jersey, Pennsylvania.

Zone 2: Massachusetts, Connecticut, Rhode Island, Vermont, New Hampshire, Maine.

Zone 3: Tennessee, North Carolina, South Carolina, Georgia, Alabama, Mississippi, Florida, Louisiana.

Zone 4: Minnesota, Wisconsin, Michigan, Iowa, Illinois, Indiana, Ohio, Missouri (except Kansas City), Kentucky, North Dakota, South Dakota.

Zone 5: Kansas, Oklahoma, Arkansas, Texas.

Zone 6: Montana, Idaho, Wyoming, Utah, Colorado, New Mexico, Nebraska.

Zone 7: California, Washington, Oregon, Nevada, Arizona, Alaska, Philippine Islands, Hawaii.

Washington Field Office: Virginia, West Virginia, Maryland, Delaware, District of Columbia.

In Zone 1 there are four exchange cities having seven exchanges:

Buffalo Stock Exchange, Buffalo, N. Y.
New York Crrb Exchange, N. Y., N. Y.
New York Produce Exchange, N. Y., N. Y.

New York Stock Exchange, N. Y., N. Y.
New York Real Estate Exchange, N. Y., N. Y.
Philadelphia Stock Exchange, Philadelphia, Pa.
Pittsburgh Stock Exchange, Pittsburgh, Pa.

In Zone 2 there are two exchange cities having three exchanges:

Boston Curb Exchange, Boston, Mass.
(Registration action pending.)
Boston Stock Exchange, Boston, Mass.
Hartford Stock Exchange, Hartford, Conn.

In Zone 3 there is one exchange city with one exchange:

New Orleans Stock Exchange, New Orleans, La.

In Zone 4 there are ten exchanges in eight cities:

Milwaukee Grain & Stock Exchange, Milwaukee, Wis.
Minneapolis-St. Paul Stock Exch., Minneapolis, Minn.
Chicago Board of Trade, Chicago, Ill.
Chicago Curb Exchange, Chicago, Ill.
Chicago Stock Exchange, Chicago, Ill.
Cincinnati Stock Exchange, Cincinnati, O.
Cleveland Stock Exchange, Cleveland, O.
Detroit Stock Exchange, Detroit, Mich.
Louisville Stock Exchange, Louisville, Ky.
St. Louis Stock Exchange, St. Louis, Mo.

In Zone 5 there are no exchanges.

In Zone 6 there are three exchanges in three cities:

Denver Stock Exchange, Denver, Colo.
Colorado Springs Stock Exchange, Colo. Springs, Colo.
Salt Lake Stock Exchange, Salt Lake City, Utah.

In Zone 7 there are thirteen exchanges in seven cities:

San Francisco Curb Exchange, San Francisco, Calif.
San Francisco Stock Exchange, San Francisco, Calif.
San Francisco Mining Exchange, San Francisco, Calif.
Seattle Mining Exchange, Seattle, Wash.
Seattle Stock Exchange, Seattle, Wash.
Standard Stock Exchange of Spokane, Spokane, Wash.
California Stock Exchange, Los Angeles, Calif.
Los Angeles Curb Exchange, Los Angeles, Calif.
Los Angeles Stock Exchange, Los Angeles, Calif.
Reno Stock Exchange, Reno, Nev.
Honolulu Stock Exchange, Honolulu, Hawaii.
Manila Stock Exchange, Manila, P. I.
Philippine Stock Exchange, Manila, P. I.

In the Washington, D. C., territory there are four exchanges in four cities:

Wheeling Stock Exchange, Wheeling, W. Va.
Richmond Stock Exchange, Richmond, Va.
Baltimore Stock Exchange, Baltimore, Md.
Washington Stock Exchange, Washington, D. C.

THE "NEW DEAL"

(June Number)

As a result of the November elections the Roosevelt Administration will have complete control of both houses of Congress, so far as party politics is concerned, since the Republican minority will not be of sufficient size to offer any opposition worthy of the name.

At the same time, the entire responsibility, as the result of this situation, will rest on the President and his aides in the executive and the legislative branches.

When Congress convenes on January 3, the "New Deal" will have been in operation for twenty months. There will be many new faces in Congress. Some of the newly elected Senators and Representatives have plans for extending Federal aid and operation far beyond any points so far reached or even indicated by President Roosevelt. These, for the most part, are Democrats and, therefore, the President is expected to have more trouble with those bearing his own party label than with the Republicans.

In the interval between elections and the meeting of Congress much speculation is being indulged in but until the President sends his first few messages to Congress, outlining his desires in the matter of legislation, even intelligent guessing is out of the question.

While he is at Hot Springs, Georgia, the President will receive many of his party leaders and, by the time he returns to Washington, will doubtless have worked out many of his plans for the winter.

POWER UTILITIES

(October Number)

Of outstanding interest in the power utility field is President Roosevelt's visit to the region covered by the Tennessee Valley Authority, during which he was scheduled to make a number of speeches, to be followed by a conference at Warm Springs, Georgia, with Chairman McNinch and Commissioner Manley, of the Federal Power Commission, presumably to discuss any further legislation that may be asked of Congress at the next session.

In the meantime the New York Power Authority has filed a comprehensive report covering the St. Lawrence project and several Federal reports are in preparation.

Two reports by the Federal Power Commission are in the hands of the printer and are expected to be ready in January, 1935. They are the report on the rate survey and the report on the cost of distribution of electric power.

The National Resources Board, of which Secretary Ickes is ex-officio chairman, is expected to report to the President in December on rural electrification.

Undoubtedly efforts to obtain Senate ratification of the St. Lawrence treaty will be revived, but at this particular time, with so many new Senators scheduled to take their seats in the Senate in January, any estimate of the probable outcome of these efforts is impossible.

The impression is growing in Washington that Government ownership and operation of power utilities may

become one of the big features of the coming session of Congress.

A sizable portion of the membership of Congress is in favor of Government ownership and, so far, the leaders of the New Deal have not shown themselves hostile to the idea. In other words, nothing done under the New Deal indicates that Government ownership legislation passed by Congress would be vetoed by the President.

MUNITIONS INVESTIGATION

(November Number)

In response to a request from the Senate Committee Investigating the Munitions Industry that the du Pont de Nemours Company make suggestions for a sound national policy with respect to munitions, the du Pont Company, on November 17, sent its views to Senator Gerald P. Nye, North Dakota, Republican, chairman of the committee.

Following is the text of the du Pont Company's summary of its suggestions:

"In considering the subject there are two paramount aims: (1) Adequate national defense must be assured; (2) The maintenance of peace must be fostered.

"The preparation for national defense must be thorough and effective. It would be inadequate if confined to government monopoly, because all the resources of the country must be available for our protection. The supply of the United States Army and Navy in the World War called forth the production of ordnance, clothing, food, transportation equipment, and other necessary munitions by over 25,000 manufacturing plants, normally engaged in a variety of peace time industries. Thus the defense of our country requires practically all manufacturers to become munition makers in time of need. It is estimated that in a major emergency the government arsenals would be able to furnish only about 5% of the necessary ordnance. The expansion of arsenals to twenty times their present capacity, in addition to the multiplication of facilities for all other types of munitions, would be a colossal undertaking. Operation would be extremely difficult if not impractical. Yet we would court disaster if we waited until we are attacked before attempting to supply our means of defense. *First Suggestion.* The only wise solution of the problem is just what has already been undertaken, the preparation of plans of defense, the survey and charting of industrial resources, the provisional enlistment of industry, so as to be ready to marshal the entire plant and personnel of the country immediately when the hour of danger arrives. This cooperation between government and industry for the defense of our country should in our opinion be continued.

"The objections to continuation of private manufacture of munitions must be met.

"We subscribe to the view that excess war profits should be eliminated. The popular demand is sound and just, that in such a crisis as a major war the entire capital and productive resources of our country should be subjected to the national need without extraordinary compensation. When the country's man power is being mobilized, its material resources should be mobilized also. A plan for carrying out this policy must be practical and sure to succeed. It must harness every effort and employ every motive to insure speed, conservation of materials,

and saving of labor. Elimination of excessive earnings must apply to every business and every individual. The difficulties of formulating a comprehensive and practical plan must be recognized. The problem can only be solved by able and exhaustive study, to which should be applied the experienced judgment and expert opinion of business men, military experts, and statesmen. The time to make this study is now, for it would be too late when hostilities are imminent. *Second Suggestion.* We recommend, therefore, that a thorough and detailed study of the problem be made by such agency as the Congress may determine with the view of developing a practical and effective plan of industrial mobilization for the national defense without excess profits to corporation or individual.

"International trade in arms can be done away with only by agreement between all producing nations. If the United States alone were to forbid the export of munitions, our national defense would be impaired, as this policy of isolation might shut off in an emergency supplies of essential materials from abroad. Prohibition of the trade in arms might not be effective, and it would encourage illicit dealings. We feel that the international trade in arms should be subjected to strict government control, preferably by international agreement. But the United States can immediately initiate its own policy. *Third Suggestion.* We suggest legislation permitting the export of arms from this country only after the visé of orders by a Federal Government Commission as the Congress may determine, shipment not to be permitted if objected to by the Commission. The requirements of this control would include complete report to the Commission of the amount and description of goods, their destination, and complete financial settlement."

FEDERAL AID FOR EDUCATION

(Emergency, February Number)

(Permanent, September Number)

Through the Federal Emergency Relief Administration the Federal Government is now spending approximately \$3,500,000 a month on its emergency education program. This includes adult education, aids to needy college students, nursery schools, etc.

F. E. R. A. is also aiding in keeping open public schools in three drought affected states: North Dakota, South Dakota and Arkansas.

When Congress convenes on January 3, bills will probably be introduced for permanent Federal aid in education.

The House Committee on Education will have a new chairman in the next Congress, since Representative John J. Douglass, of Massachusetts, present chairman, was defeated in the Democratic primary in his district.

If in the selection of committee assignments, the regular system of priority is followed, Representative Vincent L. Palmisano, of Maryland, will become chairman, as he is next in line, but with so vast a number of Democrats to take care of in this distribution of chairmanships, someone else may possibly be selected by the Democratic leaders for policy purposes.

Senator David I. Walsh of Massachusetts, reelected, will continue as chairman of the Senate Committee on Education and Labor.

● THE STUDENT'S QUESTION BOX:—

Q. How many men have served as Speaker of the House of Representatives, and which state has furnished the greatest number?

A. Since it first met on March 4, 1789, the House of Representatives has had 42 Speakers, including some who served as Speaker pro tempore, or for a few days only.

Massachusetts has furnished five Speakers. Six states have furnished three, each; six states have furnished two, each; and five states have furnished one, each. So far in the history of the House, eighteen states have furnished all the Speakers.

The Speaker of the House in the First Congress (1789-1791) was Frederick A. C. Muhlenberg of Pennsylvania.

The eighteen states, and the number of Speakers they have furnished, follows:

Massachusetts, 5; Pennsylvania, Kentucky, New York, Virginia, Indiana, Ohio, 3 each; New Jersey, Tennessee, South Carolina, Georgia, Maine, Illinois, 2 each; and Connecticut, Maryland, North Carolina, Iowa, Missouri, 1 each.

The Speaker and all other officers of the House are elected for the length of a Congress, or two years. They are eligible for reelection.

Henry Clay of Kentucky holds the record for length of service, having been Speaker of the House in six Congresses: the Twelfth, Thirteenth, Fourteenth, Fifteenth and Sixteenth (1811-21); and the Eighteenth (1823-25).

In modern times Joseph G. Cannon, of Illinois, Republican, and Champ Clark, of Missouri, Democrat, share the record for length of service. Cannon served through the Fifty-eighth, Fifty-ninth, Sixtieth and Sixty-first Congresses (1903-11). Clark served through the Sixty-second, Sixty-third, Sixty-fourth and Sixty-fifth Congresses (1911-19).

While Henry Clay served twelve years as Speaker, his service was not continuous, as he resigned for awhile during the Thirteenth Congress and again during the Eighteenth Congress. Cannon and Clark each served eight consecutive years.

Q. In press comment on the coming election of a Speaker of the House, frequent reference is made to the selection of a Democratic "floor leader." What are the duties of a floor leader?

A. From a political party standpoint, the Floor Leader of the majority party in the House is frequently a more important officer than the Speaker.

The Speaker, while he is the head of his party in the House, does not have an opportunity to exercise leadership while the House is in session. He is the presiding officer and arbiter of the House rules, but as he presides

over the sessions he acts in a more or less judicial capacity.

The actual parliamentary maneuvering on the floor when important party legislation is being considered, is done by the floor leader. Therefore the floor leader must be a good parliamentarian, having at his finger tips all the details of parliamentary procedure. To be a successful floor leader, he must also have general qualities of leadership and should be in whole-hearted agreement with his party's declared policies.

Representative Joseph W. Byrns, of Tennessee, is the present Democratic floor leader of the House, and Representative Bertrand Snell, of New York, the Republican floor leader. Representative Byrns is one of the most prominent of the candidates for the Speakership of the next House, to succeed the late Henry T. Rainey, of Illinois.

With a great deal of legislation, vitally important to the New Deal policies coming up in the next session of Congress, President Roosevelt and other Democratic leaders, are naturally deeply interested in the forthcoming choice of a Democratic floor leader.

A President must be tactful in a contest among members of his own party in Congress over purely Congressional offices, but frequently he finds an indirect way of approving or disapproving this or that candidate. A House floor leader, out of sympathy with legislation desired by the President, has it in his power to put on the brakes in a dozen different ways. Not only that, but if he is a sincere supporter of the President yet is an inexperienced parliamentarian or temperamentally lacking in the qualities of leadership, he can become a liability to the Administration instead of an asset.

Q. What national farm or agricultural organizations maintain permanent headquarters in Washington?

A. The National Grange; the American Farm Bureau Federation; the Farmers' Union; the National Cooperatives Council, and the National Cooperatives Milk Producers Federation.

Innumerable other agricultural organizations send delegations or individual representatives to Washington from time to time, but those listed above maintain regular offices and representatives in Washington at all time.

Editor's Note—Please send stamped, self-addressed, return envelope with all questions submitted for direct answer. Address your queries about Congress to "Students Question Box," CONGRESSIONAL DIGEST, 2131 LeRoy Place, Washington, D. C.

Ezekiel, *Cont'd**Continued from page 314*

Adjustment of production is not aimed at unlimited reduction in volume, since too small a production may be just as undesirable as too great. During the period of working down the surpluses, production must be held below consumption. After the time when the existing supplies have been used up, increased production would be needed to maintain a proper balance between production and consumption.

As a whole, operations under the Agricultural Adjustment Act have produced a material increase in the economic welfare of farmers and a marked stimulation in the ability of farmers to purchase industrial products. The flow of income to agricultural areas resulting from these operations has been a stabilizing influence on business since the inception of the act, and has been materially helpful during the summer of 1934, when, without this support of farm buying, the slackening industrial activities might otherwise have produced a far worse recession in retail sales and general business activities than actually occurred.

Agricultural adjustment came on the scene when world-wide depression had nearly eliminated farm income. It has not corrected the existing surpluses of farm products, and thereby made a substantial increase in farm income. For the present, it is holding farm production in line with the current demands, so as to continue to give farmers a fair share of the national product. For the future, it looks to a restoration of the industrial productive power of this country so that, although farmers are not receiving more than a fair share of that total product, the increased total production will give them so much larger individual incomes that they will again be able to maintain a reasonable standard of living in return for their contribution of the raw materials of food and clothing.—*Extracts, see 7, p. 320.*

Simmons *Cont'd**Continued from page 315*

head of livestock for those who would raise them, coming swiftly upon us? As Government reaches out farther all of the time to get into and control what has hitherto been private business, will we come to nothing better than serfdom made the more poisonous by our modern knowledge of transportation and of communication? Are we heading into State-controlled and enforced socialism? Is democracy, as we have known and loved it, doomed? Are private initiative and private enterprise and personal thrift and personal desire for ownership of property to be thrown useless away? Is the day passing when we can learn anything from history to help us with the present, and are we just naturally too smart to have to abide any longer by the old laws of supply and demand, and right and wrong?

It seems to me that we need to guard our rights as private citizens as never before in the history of our nation, that we need to examine to see if we have not tacitly abrogated our precious privileges of doing our own thinking, in yielding so much, no matter how imperative may have seemed to be the emergency.

I know that some of the beliefs I have set out here may look very different from those many have been reading, but I still believe in personal independence of thought and action, as long as one holds to law and order. I still believe in that individualism that some have lately held up to ridicule and scorn. God gives it to each of us and leaves no directions for later handing it over to scoffers. I believe that lower taxes, lower interest rates, and to have been let alone were all, and still are all, that we farm people need. I believe the same three suggestions would work for many another business now being crippled and maimed beyond recognition by Government interference and political dictatorship.—*Extracts, see 11, p. 320.*

Sources of Information for this Issue

- 1—(Ezekiel & Bean) Economic Bases for the Agricultural Adjustment Act, U. S. Dept. of Agriculture, Dec., 1933.
- 2—(Farm Outlook) Annual Agricultural Outlook Report, Bureau of Agricultural Economics, U. S. Dept. Agriculture, Nov. 4, 1934.
- 3—(A.A.A.) Official description in the Congressional Directory.
- 4—(Davis) Radio Address, NBC—Washington Star Radio Forum, Washington, D. C., Oct. 31, 1934.
- 5—(Carothers) Washington Star, Oct. 28, 1934.
- 6—(Cassel) From Protection through Planned Economy to Dictatorship Lecture, Cobden Memorial Ass'n., London, May 10, 1934.
- 7—(Ezekiel—Pro) Address, National Association of Marketing Officials, New York City, Nov. 15, 1934.
- 8—(Wallace) N. Y. Times, Aug. 19, 1934.
- 9—(Jones) Cong. Record, June 15, 1934.
- 10—(Frank) Minneapolis Journal, Sept. 30, 1934.
- 11—(Simmons) Article, Saturday Evening Post, Mar. 17, 1934, Reprinted in Congressional Record, March 15, 1934.

To Introduce
THE CONGRESSIONAL DIGEST PLAN
For Teaching American Government, Political Science, Public
Speaking and Debate by the Laboratory Method

A SPECIAL OFFER
FOR
THE SPRING TERM
AN INSTRUCTOR'S KIT

FREE

Comprising:

1. Subscription to The Digest (four months, Feb.-May).
2. Copy of Handbook Outlining Plan.
3. Outline of Congressional Procedure for Passing Legislation.
4. Notes for Lecture to Class Preliminary to its Organization (using Plan).
5. Assignment Sheets (used with Plan).

WITH

Twenty Classroom Subscriptions to The Congressional Digest at Half Price
For a Class of 40—20 subscriptions (4 months, Feb.-May) @ \$1.00 ea. . . . \$20.00

*Instructors now using the Plan allow two students to share one copy, thus cutting the cost to 12½¢ a month per student.

—FOR THE FULL YEAR'S USE—

Twenty Classroom Subscriptions (10 months, September-June) @ \$2.50 ea. Will include
The Instructor's Kit as listed above. Free

PUBLISHED THE FIRST OF EVERY MONTH EXCEPT JULY AND AUGUST

CONGRESSIONAL DIGEST,
2131 LeRoy Place, Washington, D. C.

Please enter subscription for years.

☐ Enclosed find \$..... in payment. ☐ Send bill.

Name

Address

City State

Regular yearly price: U. S. \$5.00; Canada, \$5.25 (U. S. Money); Foreign \$5.50. 80¢ a copy. See front cover for special rates.



COMING

A Check Up on
America's Political Situation
and
The Problems of the New Congress

FOLLOWED BY

The New Social Legislation Program

PRO and CON

IN

THE CONGRESSIONAL DIGEST

Published at
WASHINGTON, D. C.

Five Dollars a Year

Fifty Cents a Copy

